

AGRICULTURAL RELIEF

HEARING

U. S. Congress House BEFORE
**THE COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES**

SEVENTY-FIRST CONGRESS

FIRST SESSION

Serial A—Part 3

MARCH 29, 1929



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1929

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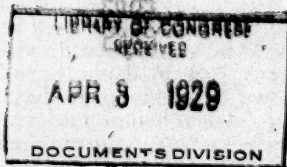
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AGRICULTURAL RELIEF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Friday, March 29, 1929.

The committee met pursuant to adjournment at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman) presiding.

The CHAIRMAN. The committee will kindly come to order. Mr. Vesecky, will you take the stand?

STATEMENT OF JOHN VESECKY, TIMKEN, KANS., REPRESENTING KANSAS COOPERATIVE WHEAT MARKETING ASSOCIATION

The CHAIRMAN. Kindly give your name and residence and who you represent.

Mr. VESECKY. My name is John Vesecky. My home is Timken, Kans. That is away out in the short-grass country, Mr. Chairman. I am here representing the Kansas Cooperative Wheat Marketing Association, commonly known as the wheat pool in Kansas.

I have a short statement that I want to make to begin with. I will not keep you very long, and I should be glad to answer any questions you may wish to ask.

The CHAIRMAN. You prefer to make your statement first, do you?

Mr. VESECKY. Yes, sir.

The CHAIRMAN. Very well.

Mr. VESECKY. Contrary to the statements current now, placing agriculture on a pre-war basis would not place it on an equality with the other major industries of the United States.

Due in part to the American policy of a protective tariff for our industries, adopted very nearly at the beginning of our existence, and to the gradual concentration of manufacturing into larger and more centralized units, both those who manufacture our products—that is, the farmer's products—and those who manufacture the products which the farmer uses, have been becoming more and more centralized continually.

The farmer has always been at a disadvantage because he was buying his supplies on a protected market, from organized industries, as an individual, and selling on an open world market to highly organized processors and handlers, such as millers and exporters of his product, and again as an unorganized individual. In other words, he is selling to an organized industry, highly centralized, as an individual, unorganized, and buying from highly organized industries again as an individual.

As our population increased and concentrated more and more in the industrial centers, the ever-widening gap between the farmer and the consumer of his products and the manufacturer of his necessities

was filled either by the manufacturer himself, putting out branches, or by the middleman, whose whole object in the case of the farmers' products was to secure them for the manufacturers or processors at the least possible price, and, in the case of the necessities which the farmer had to buy, to secure for the manufacturer and the handler the largest possible price.

Nowhere along the line had the farmer any control over what he received for his products or what he paid for the things that he had to buy. All along the line the whole system of handling of the farmers' product from the farm to the processor is controlled by the user of the farmers' products. All along the line the system of handling supplies back to the farm is again controlled by the manufacturers and handlers of the necessities that the farmer must buy.

Everyone in this whole system of handling farm products, from the farmer to the exporter and miller, and again from the manufacturer of the implements and other things that he needs to the farmer, is only interested in the part that he receives for his services, and no one is interested in what the farmer receives for his work or what the farmer has to pay for what he buys.

The farmer has tried to counteract this condition, this gradual lessening of his power and of his income, by more intensive production, by trying to increase his efficiency in production; and he has increased it to such an extent that he is producing a surplus of very many products of which he did not formerly produce a surplus; and this surplus tends to lower the price still more for the farmer, in place of increasing his income.

The farmer has also tried somewhat to counteract this by organizing local cooperatives, such as the farmers' elevators, the creameries, and other small-sized cooperatives; but although these have done lots of good, they could not help the farmer greatly, because they were part of the same system that was built up by the manufacturers and processors of the farmers' product and by the manufacturers of his supplies. They were still part of that same system. All the difference was that the farmer paid directly the man who ran his local elevator, or the man who ran his creamery, or the man who might run his supply house, in place of indirectly in the cost of the article or the price he got for his crop, as he did before.

So, in view of the foregoing, we believe that as long as the other industries are protected by a tariff, agriculture should also be protected by an ample tariff, and, in case of products of which there is an exportable surplus, legislation to make the tariff effective should be enacted.

Inasmuch as the farmers' problem is one of marketing, the legislation should be based on the cooperative marketing organizations, organized along the same business principles which have made American industry so successful, and based on organizations large enough not only to have bargaining power but also to be able to employ the best possible brains that can be used, and the kind of brains that should be employed for an industry such as agriculture is.

In case this legislation that is to be enacted at this session of Congress should follow along the lines of the McNary bill introduced at the last session of Congress—which, by the way, has been indorsed

in principle by the principal wheat-pooling organizations of the United States—we wish to suggest the following changes:

First. That if an advisory council is appointed for each commodity, this advisory council should be appointed from names submitted by the cooperative associations.

Second. There should be one stabilization corporation for each commodity organized by the cooperatives dealing in that commodity, and all the stock should be held by these cooperatives.

Third. All profits of the stabilization corporation, after a sufficient reserve is set aside, should be prorated to the different cooperatives on a patronage basis; that is, on the basis of their business with the corporation.

Fourth. Appropriations for the stabilization corporation should be not less than \$300,000,000, and for the acquiring of physical facilities for the handling of the different products, not less than \$50,000,000, in place of \$25,000,000 and \$225,000,000, as given by the original McNary bill.

We are also in favor of increasing the usefulness of the Federal intermediate credit banks by placing them under a separate board and making it possible for them to loan to all of the cooperatives as much as they may need upon adequate security. At present they are more or less hampered because they can not loan sufficient quantities to the cooperatives and on the right kind of terms. The regulations so hamper them that they can not be as helpful as they could if they were put under a separate board and permitted to loan as much to these cooperatives as the cooperatives can furnish good and sufficient collateral for.

We further believe that we should have proportional freight rates on agricultural products which are exported, to put us on an equality with other exporting nations. At present we are at a disadvantage of about 7 cents with Canada on wheat. It costs our people in the Middle West about 7 cents a bushel more to get our wheat to Liverpool, and nearly 200 per cent as much to move our wheat the same distance, as it does in Canada, and inasmuch as many other industries, such as steel and others, have been granted special discounts on freight rates for export, we think agriculture should have the same advantage as the other industries; because as long as we have to export a part of our products, it will be necessary for us to compete with other exporting countries, and as long as we are at a disadvantage of 7 cents or more on freight, that has to be made up by a loss to the farmer, naturally.

The reason we say that farm relief should be based upon strong cooperative marketing organizations is because that is the system that will finally put the farmer on an independent basis, where he will not have to be coming to Congress asking for relief. It is only by organization that we can fight organizations. We can not individually expect to fight against great combinations that are coming on now in every line of industry, especially in the milling line, which controls the products of wheat farms. The combination recently made by the General Milling Co., a combination of Washburn-Crosby and others, makes it the largest milling concern in the world. And the combinations are just beginning.

This year they have combined so many of the different industries that the farmer is now selling as an individual to combinations that

are not only nation-wide but nearly world-wide; and for that reason, if for no other, all legislation should be based on the principle that the farmer organize himself into marketing organizations which will be able to cope with these great organizations of the people who use his product.

In asking that the stabilization corporations should be open only to cooperative organizations we are following the precedent set by the Federal reserve bank system, by the intermediate-credit banks, and others. The Federal reserve system requires that banks organize themselves in a certain way to be able to take advantage of the reserve system. The intermediate credit bank law provides that farmers, in order to be able to take advantage of the credit facilities of the intermediate-credit bank, must first organize themselves into credit associations, credit unions, or must be organized in cooperative organizations on business principles, whereby they are a safe and sound investment and can offer safe and sound collateral. And I believe that in forming a stabilization corporation it would be a mistake to leave it open to every individual, because that would again break down the chance of the farmer to organize—something that he must do if he wants to compete with the other industries.

In the control of the stabilization corporations I think—and we do of the wheat pool and others with us—that it should be placed so that in time the farmers themselves, through their organizations, would control not only the officers of those stabilization corporations, but furnish all the capital of these corporations to take care of their own business, without having to ask the Government to furnish capital.

If we follow these lines and try to build up agriculture on the same basis that industry has so successfully used, the time is coming—may be not this year or next year—but the time is coming when agriculture will be on an equality so far as organization is concerned, and will have equal bargaining power with the other people who handle the products of the farmer and the products of the manufacturer to the farmer.

We are not asking that any special legislation be passed. The members of the Kansas wheat pool are only asking that the legislation that shall be passed be passed along sound economic lines that will help build up the farmer to do the business for himself, and help build up the farmer to help himself. And in doing that we assure you we will do all we can to help you in any way possible.

I thank you.

Mr. ASWELL. Did you say you were not in favor of any legislation at all?

Mr. VESECKY. No, sir; we did not. We are in favor of legislation that will help the farmer to organize strong cooperatives of his own to handle the business in time, so that the time would come when the farmer would not have to ask for legislation.

Mr. ASWELL. Are you in favor of a Federal board?

Mr. VESECKY. Yes, sir; we are in favor of a Federal board.

Mr. ASWELL. That is all.

Mr. JONES. Did you say you were in favor of stabilization corporations?

Mr. VESECKY. If they are controlled by the cooperatives: yes.

Mr. JONES. How would you finance them?

Mr. VESECKY. The bill provides the financing at present of stabilization corporations with this revolving fund of \$300,000,000.

Mr. JONES. Do you think that a stabilization corporation could capitalize on borrowed money?

Mr. VESECKY. They might, but not right now.

Mr. JONES. Would you try to sell stock in it as an investment corporation?

Mr. VESECKY. I think that the profits of the stabilization corporation made at first should be used for two purposes. To set up reserves and to set up the capital stock of the stabilization corporation.

Mr. JONES. You assume that there are going to be profits. What if they were losses?

Mr. VESECKY. If they are properly handled, they will be profits.

Mr. JONES. Yes; if they are. But it has been suggested here by some one that the corporations be capitalized by the selling of actual investment stock to the farmer. Do you think that is a practicable way to handle it?

Mr. VESECKY. If the farmer was in better financial condition, so that he could buy that stock, that would be all right.

Mr. JONES. Yes; that would be all right.

Mr. VESECKY. But he is not in condition now to buy this stock.

Mr. JONES. The only other man who made such a suggestion was Sydney Anderson, and he already has a job.

Mr. VESECKY. He could probably buy some stock at the job.

Mr. JONES. Would you want him to handle it?

Mr. VESECKY. Hardly.

Mr. JONES. That is all.

Mr. KETCHAM. Mr. Vesecky, in connection with the discussion of some of the advantages that might be provided for agriculture in the matter of transportation, I think you referred to the fact that some preferential rates were now extended in the matter of the export of manufactured commodities, and I think you mentioned steel.

Mr. VESECKY. Yes, sir.

Mr. KETCHAM. Have you any definite knowledge that you could give to the committee of any preferential rate for export steel?

Mr. VESECKY. To the best of my knowledge there is a 60 per cent reduction in freight rates on export steel.

Mr. KETCHAM. That is to say, for steel starting from Pittsburgh for export through the port of New York, the rate of transportation from Pittsburgh to New York is reduced by 60 per cent?

Mr. VESECKY. That is my understanding.

Mr. KETCHAM. You are quite certain about that?

Mr. VESECKY. Well, I have heard that stated by an authority that I believe is absolutely right.

Mr. KETCHAM. How is that arranged? Is it arranged through the Interstate Commerce Commission or is it arranged in some other way?

Mr. VESECKY. It was arranged originally, I imagine, between the steel people and the railroads. Probably the Interstate Commerce Commission knows about it, but they do not seem to take any action either way.

Mr. KETCHAM. Do you happen to know whether or not there is any arrangement for continuing that preferential rate in ocean shipments? Do they get a lower rate there in any way that you know of?

Mr. VESECKY. I do not know, but I think the bargaining power they have would give them even a lower rate across the water. I do not know though.

Mr. KETCHAM. You do not know whether those ocean rates are controlled or supervised in any way, or are a matter of open competition or not?

Mr. VESECKY. I think they are a matter of open competition, so far as I know.

Mr. KETCHAM. And by reason of their bargaining power they can get a preferential rate that is very much lower relatively than the rate on farm commodities?

Mr. VESECKY. Yes, sir.

Mr. KETCHAM. If you have any information of that sort that you can put in the record, that is more than just your own recollection of it, I should be very glad, as one member of the committee, to have you do so.

Mr. VESECKY. We will look it up and if we can get exact figures we shall be glad to give them.

Mr. KETCHAM. I suggest, Mr. Chairman, that the witness be given the privilege of giving us that information in a very brief statement, elaborating on the subject.

The CHAIRMAN. He has the privilege of incorporating it in his statement. Would you want further time to prepare that statement?

Mr. VESECKY. Yes; I would have to have further time, because I would have to look that up.

Mr. KETCHAM. You could not get it done within the day?

Mr. VESECKY. If not, I would have to mail it in. I have to leave to-day.

Mr. KETCHAM. The only difficulty about that is that we have to have the record for printing very quickly and we may have to get the information, therefore, in some other way. Thank you for the suggestion.

Mr. FULMER. Am I right in making the statement that the great trouble with your farmers to-day, as well as mine, is that they are unorganized?

Mr. VESECKY. That is the great trouble. They are dealing as unorganized individuals with organized industries.

Mr. FULMER. Is it your belief, if we should pass legislation merely creating a board with a loan fund, that that will help your people to organize?

Mr. VESECKY. Well, the legislation right now should be so framed as to make it an advantage to the farmer to belong to a marketing organization.

Mr. FULMER. Unless there is something in this legislation that will give an advantage to the farmer on the outside, he certainly will not go into an organization under legislation simply proposing a loan fund any quicker than he would into your organization to-day.

Mr. VESECKY. No, sir. The trouble is the farmer has been told for so many generations that he is independent that he darn near

believes it himself, and it is pretty hard to make him join with fellow farmers to do anything.

Mr. FULMER. If you had your farmers well organized to-day, so that you could eliminate waste and bring about bargaining power in buying and selling and do research work looking into freight rates and all those things, your farmers could accomplish the very things that other well organized groups are doing to-day without legislation, no doubt.

Mr. VESECKY. I am positive that we could if we had that organization.

Mr. FULMER. What do you find in the McNary bill that you have not already got that will induce the farmer to come into an organization?

Mr. VESECKY. In the McNary bill, as originally written, there was not very much to induce the farmer as an individual, because an individual could have all the advantages of the organization. That is why we suggest these changes, that nothing but organized farmers could take advantage of this. That would bring the farmers into the organization.

Mr. FULMER. You believe under the McNary bill that you would be able to pay a larger percentage of the value of the crop placed in the organizations by the farmers.

Mr. VESECKY. If the McNary bill worked out the insurance feature it would be safe to do so, but unless there was some insurance feature it would be very dangerous to try to pay the farmer in advance a large percentage of the value of his crop, if there were no assurance that that value will not go down below the loan value of the commodity used as collateral.

Mr. FULMER. How do you stand on the insurance feature that we had, for instance, in the last bill?

Mr. VESECKY. It looks good if it will work out in practice. It looks good to me.

Mr. FULMER. Do you believe that the Government should do quite a lot of research along that line, so as to work out some insurance plan?

Mr. VESECKY. I think so. It would be necessary in order to make this effective.

Mr. FULMER. You stated that you would like to have in this bill some system whereby you could make the tariff effective, for instance, on wheat where we have an exportable surplus. How would you manage to make the tariff effective?

Mr. VESECKY. The easiest way, and the way we were trying to bring out is to help the farmers to organize large-sized cooperative organizations with bargaining power and the ability to hold the product from the market, when it is in a glutted state—whenever it is glutted, and feed it to the market as the demand arises without being compelled to sell it just as it comes on the market.

Mr. FULMER. That would only stabilize the price and it would be impossible, as I see it, to add any percentage of the tariff to that price; that is, by simply holding back the product for orderly marketing.

Mr. VESECKY. With the aid of the stabilization corporation and the cooperatives, it would be possible for them to do the same thing

in their domestic markets as the manufacturers are doing; that is, hold the product to within the limit of the tariff, if they wished to do that.

Mr. FULMER. And then you would sell the surplus at a lower price in foreign markets?

Mr. VESECKY. At the world price, whatever it might be.

Mr. LARSEN. There is just one thing I did not quite catch. You were speaking of the rate reduction on steel exported. Did you say 6 per cent or 60 per cent?

Mr. VESECKY. I understand that it is 60 per cent reduction.

Mr. LARSEN. Sixty per cent?

Mr. VESECKY. Yes.

Mr. LARSEN. That is all, Mr. Chairman.

Mr. NELSON. I have just one or two questions. As I understand, you are in favor of bringing the farmer under the benefits of the protective tariff?

Mr. VESECKY. Yes, as long as other industries are protected I think the farmer ought to have the same benefit.

Mr. NELSON. Is the farmer, do you feel, now receiving the benefit of the tariff, for instance, on wheat?

Mr. VESECKY. No; he is not. He has no way of controlling the surplus, and the surplus sets the price on his whole production.

Mr. NELSON. Can we, without setting up some such artificial method as the equalization fee, make the tariff effective on wheat, as long as we produce an exportable surplus?

Mr. VESECKY. Yes; I think we can.

Mr. NELSON. How?

Mr. VESECKY. We could make it effective by the aid of the stabilization corporation, of the large-sized cooperatives—the two together would make it effective, and in time the cooperatives themselves could make it effective.

Mr. NELSON. How long do you estimate it would take for cooperatives to become powerful enough to control a sufficient part of the wheat surplus in this country to bring that condition about?

Mr. VESECKY. If this bill is framed in the right way, it should not take very long. It took the Canadians just a little over a year to form one of the most powerful organizations in the world. If this bill is framed so as to give an advantage to organized farmers—that is, to give an advantage to a farmer to organize himself, so to speak—the organization would be fairly easy and rapid.

Mr. NELSON. Just what is this Canadian system to which you refer, that you believe would make the tariff effective without some such plan as the equalization fee?

Mr. VESECKY. The Canadians, as you know, have a large pool organized that controls over 50 per cent of their production. Just to show you the effect it would have on the markets, you remember January 5 was the low point on the May delivery of wheat in the United States. On this crop wheat reached about \$1.08½ in Kansas City and about 8 cents higher at Chicago. That was on Saturday. On Monday, January 7, the Canadian wheat pool issued a notice that it would sell no more wheat at that price and withdrew all offers. January 5 was the low-price day of this crop year. January 7 marked an advance in the market that has been going on practically

ever since, until this late crop year. It shows that an organization that controls volume sufficiently, like the Canadian pool, has large influence on the market.

Mr. NELSON. How do the Canadian wheat prices compare with ours, for the same dates, we will say?

Mr. VESECKY. The Canadian No. 1 dark northern and No. 2 dark northern are the same as our prices.

Mr. NELSON. They are the same?

Mr. VESECKY. Yes. In the export markets Canadian No. 4 and 5 is selling on an equality with ours, and this probably was the first year that the Canadians were able to sell 4, 5, and even 6 wheat in the export markets. It has only been accomplished because they have their own representatives in Europe in all the big markets, and they can take care of this wheat when they ship it across. We can not sell any, practically, except No. 2 wheat across, because we have no connections. There is really no exporter in the United States, as I understand, that takes wheat clear across. We are dependent upon the foreigner to handle our wheat as soon as it gets across, and for that reason, we must export only No. 1 and 2, and our lower grades are backed up in our own country, creating this big surplus, this big visible that is hurting our market.

Mr. NELSON. And really the Canadian wheat grower is receiving more by a few cents a bushel than the American wheat grower is receiving, notwithstanding we have a tariff of 42 cents a bushel.

Mr. VESECKY. You are right.

Mr. NELSON. Just one other question. You spoke of the difference in freight rates, or, rather, the handicap that we are under. Do you feel that the development of a barge-line system by which we would ship a large part of our wheat by water would help in that respect?

Mr. VESECKY. It would if the Interstate Commerce Commission would not allow the railroads to raise their rates immediately under this Adamson law, I think it is, as soon as we would take the export business from them and send it over the barge line. If we were protected against an increase of the farmers' rates to the market as soon as we established an export connection by water, then it would be an advantage.

Mr. NELSON. You feel that there are possibilities, if we could get a satisfactory rail-water rate, that it would help us?

Mr. VESECKY. Yes.

Mr. NELSON. That is all.

Mr. ANDRESEN. As I understand, when the price on wheat advances in this country and in Canada it automatically advances in the rest of the world?

Mr. VESECKY. The United States and Canada control over one-half of the import requirements of the world, and naturally the United States and Canadian prices have the largest influence on the world prices.

Mr. ANDRESEN. And the world prices follow our advances here?

Mr. VESECKY. Yes; largely.

Mr. ANDRESEN. You are for a proposition that will make the tariff effective on wheat and other agricultural products?

Mr. VESECKY. Yes, sir.

Mr. ANDRESEN. If we are to make the tariff effective on wheat, the American farmer should receive 42 cents a bushel above the world price.

Mr. VESECKY. Yes, sir.

Mr. ANDRESEN. Have you any remedy or solution to offer whereby that can be brought about?

Mr. VESECKY. As near as I could get from the present indications, the McNary bill would be a help. It would not be an entire remedy, because no one can pass legislation at one time that will remedy an evil that has been gradually growing for years and years. But it would, I believe, tend to stop this growing disparity between what the farmer gets and what it costs him to produce, and in time allow him to build up so that he would be on an equality.

Mr. ANDRESEN. Is it not a fact that all the McNary bill would do would be to raise the price level in this country and that it would not make the tariff effective so that the farmer would get the world price plus the tariff?

Mr. VESECKY. The American farmer would have to organize to make the tariff effective. I am sure this bill, if framed the way we suggest, would help him organize and then he would have to do the rest himself.

Mr. ANDRESEN. If the world price follows the American and Canadian price, you could never give the American farmer 42 cents above the world price, could you?

Mr. VESECKY. It would not be desirable to do that. Whenever the world price would be sufficiently high, if it should follow our price entirely, the American farmer could be placed on an equality with other industries; that is all the American farmer could ever expect and all he ought to want.

Mr. ANDRESEN. So that all you are trying to do is to give the American farmer a higher price level and not the full benefit of the protective tariff?

Mr. VESECKY. No. The protective tariff, as I understand, is just to be put on, not to raise our prices above the world levels but so as to put our prices to the point where we can produce the commodity, whatever it is, and the people that are engaged in producing that commodity can live on the American standard of living and be on an equality with other industries on the outside.

Mr. ANDRESEN. And the American standard of living for the wheat producer is 42 cents above the cost of production in other countries?

Mr. VESECKY. It ought to be that much because it costs him so much more to live here than it does farmers in other countries—to live on an equality with people in other industries.

Mr. ANDRESEN. We in this committee are all trying to raise the price level on agricultural commodities.

That is all, Mr. Chairman.

Mr. ADKINS. You say you are representing the wheat pool of Kansas?

Mr. VESECKY. Yes.

Mr. ADKINS. I believe I heard you state that you are in favor of this board and a stabilization corporation?

Mr. VESECKY. Yes, sir.

Mr. ADKINS. Is it your idea that this board's powers should not be such that on their own initiative they could go out and start an export corporation themselves?

Mr. VESECKY. No. I think that the organization should be organized by the cooperatives themselves.

Mr. ADKINS. In other words, the cooperatives should bring their proposition to the board, present their proposition to get a loan and then proceed?

Mr. VESECKY. That would be my idea; yes, sir.

Mr. ADKINS. Do you think that this cooperative organization would have to start with a very small capital?

Mr. VESECKY. Yes; a very small share capital, because of the condition of the farmers themselves not being able to furnish a large capital.

Mr. ADKINS. They have been fooled so many times on these large corporations that the Government would be very largely taking a pretty long chance and furnish most of the capital until it was demonstrated that it was a success.

Mr. VESECKY. Yes; you are right.

Mr. ADKINS. It would not be your notion to hold this wheat, but control enough of it so that it would be a factor in the market to an extent that it would raise the price?

Mr. VESECKY. That is my idea; yes, sir.

Mr. ADKINS. Until that can be done there is not much to the idea of merely holding the wheat, is there?

Mr. VESECKY. No.

Mr. ADKINS. Has there ever been a time since last July and August when you could sell wheat for enough to pay for holding it from then until now?

Mr. VESECKY. The July price for the last three years anyhow, the early harvest price, was the highest price.

Mr. ADKINS. That is what the records show. That has been disputed by some.

Mr. VESECKY. No; that is right.

Mr. ADKINS. If you go back previous to the war, 1909, 1910, 1911, 1912, and 1913, you will find that the same thing was true.

Mr. VESECKY. In a good many cases it has been true.

Mr. ADKINS. We have had a good deal of talk here about dumping in July and August and breaking the price, but the records do not bear that out, do they?

Mr. VESECKY. The records show that the price has been high at that time many times, but there is a reason for that. You take our milling concerns. During that time they usually fill up their storage with wheat. They are in the market.

Mr. ADKINS. And your exporters are.

Mr. VESECKY. And the exporters are in the market. There is a competition there for wheat, and by the two bidding against each other, you get a pretty fair price right at that time. But the very fact that the miller secures a large part of his supplies at that time, precludes the possibility of an advance later, because just as during this advance in January, if the miller has his warehouse full with three or four months' supply of wheat he can step out of the market whenever the market advances and prevent an advance. That is what they have been doing.

Mr. ADKINS. The advantage, as I understand, that you hope will be derived from this ultimately, is that you may have control of enough wheat that you will be able to affect the world market in some degree.

Mr. VESECKY. Yes.

Mr. HOPE. Mr. Vesecky, one of the main difficulties you have now is the fact that you do not have local elevators through which you can handle the wheat that comes into your pool organizations, is it not?

Mr. VESECKY. In the organization of a pool, the organization of any complete farm marketing system supposes the possession of local facilities such as elevators, terminal facilities, and terminal elevators, and sales agencies to sell the stuff. We at present control two terminal houses, because we can lease those on favorable terms. We own one and lease another one. But the local elevators—we have not the money to buy them or build them, and it handicaps the operation of a large-sized marketing organization not to have their own local facilities for two reasons. First, that their wheat is first handled by some one not friendly to them, perhaps, either the regular grain trade or in some instances cooperatives not friendly to a large-sized movement. In the other instance, the way the local elevator is at present organized and the way the movement is organized, with the combines, all of the movement is to the terminals immediately after harvest.

This will tend to kill off all the smaller country mills. All the mills in the producing territory in time will be forced to quit and the milling industry will be centralized in the large consuming centers. That would be a detriment to the farmer not only because it takes industry from his midst but it also makes it necessary to ship the wheat away off and then ship the offal, the bran and shorts, and other things back to him again, that he feeds to his stock. So that the control and holding of our own elevators would enable us to handle the wheat more economically, quicker, and better for both ourselves and the farmer, and also for the miller in the interior.

Mr. HOPE. And that will be necessary before you can build up a strong organization, will it not?

Mr. VESECKY. Absolutely necessary. The Canadians have found it so, and we are finding it so. Every wheat pool in the United States is finding that it is necessary to get their own local elevators.

Mr. HOPE. The Canadian wheat pool owns the local elevators through which it receives its grain, does it not?

Mr. VESECKY. The largest percentage of them. There are a good many elevators still owned by the regular grain trade and by the Alberta Grain Growers and other cooperative organizations on the line-elevator system.

Mr. HOPE. How do you receive your wheat from the producers at the present time where you do not have country elevators?

Mr. VESECKY. We have contracts with local elevators to handle this wheat for us. But I will just give you an example of how it is handled.

We have a contract with a local elevator in one place in Kansas that this year put aside one bin for our wheat. They dumped No. 1 and No. 2 and sample wheat all into the same bin, and you can see what the result was. All the wheat coming out of that bin is sample

wheat, while, if we could have it separated, we would have a small percentage of sample wheat and a larger percentage of good wheat.

Mr. HOPE. You are very much interested in any legislation which may be enacted containing provisions for loans by which you can acquire physical properties necessary to carry on your business.

Mr. VESECKY. That is why we are asking for not less than \$50,000,000 in place of \$25,000,000 as in the McNary bill.

Mr. HOPE. You think that is an essential to any successful development along the line of cooperative marketing.

Mr. VESECKY. I think it is not only from our point of view but the fact is that one-half of the farmer elevators in the country now are broke. If it were not for the credit support of their directors, they would be broke. I venture to say that 50 per cent or more of the farmer elevators in Kansas I know are simply depending upon the credit of their directors signing the notes at the bank to keep them going.

Mr. BRIGHAM. If I understand you correctly, you would have the farm board set up a marketing system and require the growers to qualify in a certain way to enter that system through the organization of cooperative organizations.

Mr. VESECKY. That is my opinion; yes, sir.

Mr. BRIGHAM. You would not have the farm board empowered to contract with the old-line grain trade?

Mr. VESECKY. I am afraid it would not work very well.

Mr. BRIGHAM. Is it not a fact that the Canadian Wheat Pool has contracts with practically all the old-line grain trade to handle their grain?

Mr. VESECKY. They have contracts with them to handle the grain at the local elevators the same as we have now. We have contracts to handle our grain at the local elevator, but in Canada it is a little different from what it is here.

In Canada, every warehouse there is a public utility, and it must handle all the grain that is offered to be handled; while in Kansas and in other parts of the United States the warehouse is not a public utility, and we have to contract with special elevators at stations.

Mr. BRIGHAM. Would it be good policy for this Government to require the same kind of operation of elevators as public utilities?

Mr. VESECKY. It would not greatly help, because the Canadians found that they needed their own elevators to make their system successful, and they have acquired or built over a thousand of them since the pool was organized.

Mr. BRIGHAM. But I understand you consider that it is necessary for the success of this plan which you advocate that a certain volume of the grain be controlled.

Mr. VESECKY. Yes, sir; it is.

Mr. BRIGHAM. Can you tell us how much grain is controlled by the cooperative associations at the present time?

Mr. VESECKY. The large-size cooperatives control about 4 per cent. The farmers' elevators handle practically 60 or 70 per cent, but the farmers' elevator has no control over the flow at all; it is just simply a local gathering point, and for that reason can not be considered as a market or a marketing agency.

Mr. BRIGHAM. Then the farmers themselves control about 60 per cent of the total output of wheat in this country?

Mr. VESECKY. About 60 per cent passes through the farmers' elevators.

Mr. BRIGHAM. So you have quite a nucleus now handled through the farmers' elevators. If you get these farmers' elevators into a marketing scheme you would have a percentage of the wheat production of this country equal to the percentage of the Canadian output now handled through the wheat pool.

Mr. VESECKY. About the same percentage.

Mr. BRIGHAM. Do you feel that our farmers' elevators would come into this plan at once?

Mr. VESECKY. The plan, if it is put into operation the way it now seems it may be, would be of much advantage to the cooperatives to come in and to the farmers to come into the cooperatives that it ought not to be very hard to bring them in.

Mr. BRIGHAM. And that 60 per cent if you could get it all, would be sufficient if sold through one selling agency, to have an effect upon the price.

Mr. VESECKY. Yes, sir.

The CHAIRMAN. I understood you to say you would be in favor of establishing a price level to protect the domestic producers against foreign production.

Mr. VESECKY. That is right.

The CHAIRMAN. There is a tariff on wheat of 42 cents a bushel.

Mr. VESECKY. Yes, sir.

The CHAIRMAN. I take it also there is a difference in the freight rate.

Mr. VESECKY. Yes, sir.

The CHAIRMAN. Do you believe that result could be accomplished by having a voluntary pool?

Mr. VESECKY. We have tried for six or seven years to get them into a voluntary pool to control a large enough volume to do that, but it has not been possible to get enough in.

The CHAIRMAN. Do you think it would be possible?

Mr. VESECKY. It would be possible, but it might take a long time.

The CHAIRMAN. Under present conditions we can not afford to wait very long.

Mr. VESECKY. That is why we are asking for legislation now.

The CHAIRMAN. If you have legislation, should you not have legislation to make the tariff effective in order to give them what the Tariff Commission has found they should have?

Mr. VESECKY. We need legislation to make it as effective as possible. It is rather hard to say what legislation would do until it is tried out.

The CHAIRMAN. You agree that it can only be done through pools, do you not?

Mr. VESECKY. It can only be done through the control of a large percentage of the product.

The CHAIRMAN. But you should have control of all of it if you are going to be absolutely sure of success.

Mr. VESECKY. If you had control of all of it you would be absolutely sure.

The CHAIRMAN. Do you think that can be accomplished voluntarily?

Mr. VESECKY. Not voluntarily, to control all of it.

The CHAIRMAN. To what extent could you control it?

Mr. VESECKY. You can establish probably by voluntary agreement control of 50 or 60 per cent, but that is about the limit.

The CHAIRMAN. That would not do it, would it?

Mr. VESECKY. It would help; it would go a long way.

The CHAIRMAN. The result would be that those in the pool would pay the cost and the outsiders would reap the profit.

Mr. VESECKY. That is right.

The CHAIRMAN. Would it not be more equitable to have all of them share in the cost of equalizing the price if they are to get the benefit of the tariff?

Mr. VESECKY. We, in common with a good many other organizations, felt that way last year when the old bill was up, but since that does not seem to be considered any more we have dropped it and have started on a new tack.

The CHAIRMAN. We are not discussing what we dropped, but we are discussing what can be done. If there is another way of doing it, we would like to know what it is. I am not going to discuss the equalization fee.

There are other ways of doing it. Are you still in favor of giving the farmer the benefit of the tariff? That has been the question from the beginning.

Mr. VESECKY. That is the notion we have, that the farmer ought to have the full benefit of the tariff on his products just the same as the manufacturer has on his products.

The CHAIRMAN. The plan suggested is very uncertain, is it not?

Mr. VESECKY. It has a lot of promise in it; that is the only thing we can say.

The CHAIRMAN. But judging from past experience, it has been a dead failure.

I want to say right here that some of the most estimable people who have been engaged in the consideration of that subject have made an honest effort to effect a pool and to accomplish the desired results, but a number of them have told me that it was absolutely impossible, and they have given up the effort in despair. I think it is impossible to get six and a half million farmers together any way, and that same thing applies to any other organization, with such large numbers.

Mr. VESECKY. Some of the pools have been exceptionally successful, so very successful that they have raised the price to such an extent that the production increased and caused the very thing they were trying to get away from.

The CHAIRMAN. Canada has a pool.

Mr. VESECKY. Yes.

The CHAIRMAN. To what extent have they raised the price? Have they raised the price to such a level that it would give our farmers the benefit of the tariff?

Mr. VESECKY. The Canadian price level has been raised, and the same thing is true with the world level and with ours.

The CHAIRMAN. It is a fact that in Canada wheat futures generally sell for about $7\frac{1}{2}$ to 10 cents a bushel more than at Duluth or

Minneapolis. Canada is our competitor in wheat, and yet they sell their wheat for from $7\frac{1}{2}$ to 10 cents a bushel more than we do here. That might be overcome to some extent by preferential rates, but when you lower the rate on wheat or other agricultural commodities, you raise the rate on harvesters and other things that the producers buy. One would offset the other. So in the long run the railroads get it; whether they get it out of the farmer or out of somebody else, they get it. Just at present they get it out of the farmer, and as you stated that relieves the manufacturers of steel.

If you relieve the farmers of course somebody else has got to take the burden, and on the whole we have not solved the problem. More people believe in a protective tariff now than ever before, and it seems to be quite generally agreed that if we have a tariff it should be made effective. Why should we embark upon a plan that seems to be very uncertain, that has been tried out and proven a failure? Would it not be better at this time to legislate to make the tariff effective? There are more ways than one by which it can be done. We can forget about the equalization fee, if there are other ways of doing it, equally as effective. You suggest making loans upon adequate security. That simply means that the organization accepting the loan will stand the loss, if any. You can not equalize the price without somebody paying the cost.

The allotment plan has been suggested. I am not certain that it is workable, but that would if workable accomplish the same result. A Government subsidy would bring about the same result. Are you for a plan to make the tariff effective? I think we are all agreed on that. I think it is practically impossible to accomplish a 100 per cent pool by voluntary agreement, because that has been tried out, and it has proved a failure.

Mr. VESECKY. I think with the aid of such a bill as Congress will pass it ought to be possible to organize the farmers and help them, so that finally they would do this themselves.

The CHAIRMAN. There is a way to do it; there is no trouble about that. The legislation can be written in different ways. If one plan is objectionable, then we can try to find another which is more acceptable. There is no trouble about that. It is just a question how to accomplish the desired results.

Are we going to fail to have legislation to make the tariff effective, after we have pledged in our platform that we are going to make the protective tariff effective to the farmers? Are we going to reject our party platforms? Are we going to be loyal to the producers?

Mr. VESECKY. You folks have a large problem before you.

The CHAIRMAN. We are endeavoring to know the desire of the representatives of the farmers. Of course, if it is desired by the spokesmen of the farmers that they should have the benefit of the tariff as some of the representatives of the farmers have indicated, saying that they are for it, are we going to have that? Our desire is to draft an effective bill for farm relief, in accordance with the expressions of those who come here claiming to speak for the farmers. If you have some effective plan, we will be glad to have it.

The farmers, through their representatives, have appeared before this committee for six or seven years, and this is the first time it has ever been suggested that we drop the plan to make the tariff effective

to the producers, and the rates plan and forget about our party pledges—what we have promised them. I do not think that is the intention. I believe that all are agreed that we should have some plan that would accomplish the desired results.

I think you will agree that your plan would not make the tariff effective; that is, if we judge by past experience.

Mr. VESECKY. As far as pools are concerned, we do not claim that they are a panacea for all ills.

The CHAIRMAN. You have been discussing pools all the time. You have been discussing the pool in Canada. But what guaranty have you against losses? If there is a loss, you are going to have to take the loss. You are going to advance the price. You may withhold some of the product and you may send the price sky high. You could force the price up on 600,000,000 bushels on the domestic market at the world price plus the tariff. What are you going to do with the other 200,000,000 bushels to be sold on the foreign market at the world price? There is a loss there, and somebody has got to make it up. I do not think you will find any cooperative organization that will go into that kind of business, to force the price up and then have to pay the loss.

Mr. VESECKY. If it were possible—

The CHAIRMAN (interposing). Under the allotment plan they would share the cost and receive their proportionate share of the profit. That can be accomplished in different ways. But you can not do it under the plan suggested.

Mr. VESECKY. Our organization, Mr. Chairman, has indorsed the McNary bill introduced at the last session of Congress, and the resolution passed by the organization at its meeting this time asked for certain changes in the McNary bill as introduced that we think would make it more effective and more nearly do what we want it to do.

The CHAIRMAN. Will you tell me, then, why they have now changed their views? The farmers have turned it down several times, and so has Congress. I think it has been turned down about four to one. Practically every farmer and every spokesman for the farmer who have appeared before this committee have turned it down. Now, we are told that we should give it up. There must be some reason for that change.

Mr. VESECKY. A good reasons with us is this—

The CHAIRMAN (interposing). Of course, you are interested in the market. I am for cooperative marketing; I am not finding any fault with that. But you want to find some effective way of accomplishing the desired result. Practically all of the bills reported previously by the committee provide for cooperative marketing.

Mr. VESECKY. We would like to have the bill framed so that it would help the farmer to so organize himself that he could take care of his own business without always asking for help.

The CHAIRMAN. Every bill we have reported has provided for this farm board. Let us go a step further. What about your price level? What shall it be? Shall it be on the level with the fellow who is producing at much less cost, or shall it be on the American price level?

Mr. VESECKY. The price level ought to be sufficient to allow the average efficient farmer to live according to the American standard of living.

The CHAIRMAN. That is what I am for. Shall it be made that way by legislation?

Mr. VESECKY. If there is a way to do it we are for it.

The CHAIRMAN. There is a way to do it; there is no question about that.

An effort should be made to do it now at this time and not wait for a good many years to come. I think we are all agreed that the condition of agriculture is such that we can not afford to wait. If we had passed this bill six or seven years ago we would have saved several thousand men who have gone into bankruptcy. Shall we wait until they all go into bankruptcy, or shall we go on and do business now? Unless you put the farmer on a equality with others and give him protection now against the fellow who is producing at one-half or one-third the cost here, it is not going to help the farmer very much.

Mr. KINCHELOE. Mr. Chairman, this gentleman made one statement that I think ought to be investigated. He has stated that under the Esch-Cummins Railroad Act the steel people are allowed a reduction of freight rates of 60 per cent from Pittsburgh to the Atlantic coast. I do not know whether that is true or not. I have never heard of it before. But if it is true, I would like to know about it, and if it is not true I think it ought to be corrected.

Are you speaking of export steel?

Mr. VESECKY. Yes; that is export steel.

Mr. JONES. They do not allow that reduction on the exports of the farmer, do they?

Mr. VESECKY. They allow about 6 per cent on export wheat as against a larger percentage on the export of other commodities.

Mr. KINCHELOE. Is that a rule of the Interstate Commerce Commission?

Mr. VESECKY. I think it is a rule that was adopted before the Interstate Commerce Commission came into existence. I think it is a hangover from the old days and was in effect before the commission was in existence.

Mr. PURNELL. Mr. Chairman, before the next witness starts, I wish to make a statement, and I do so at the suggestion of the committee on program.

At the present rate, with the number of witnesses who have made application to testify, we will run this hearing until about the 4th of July. It may be necessary to hold some night sessions, unless we make better progress, and the committee on program asked me to suggest to the witnesses that they try to confine their remarks to a shorter limit than the time indicated, and that witnesses who are to appear later hold themselves in readiness to go on the witness stand whenever they are called.

Mr. KINCHELOE. Are you going to enforce the 5-minute rule?

Mr. PURNELL. We have tried to do that, and I think it has been observed pretty religiously.

Mr. KINCHELOE. I was wondering when you were going to get to it.

Mr. PURNELL. Mr. Ralston, the committee would like to have you conclude your statement in 20 minutes.

Mr. RALSTON. I will do my best, Mr. Purnell.

The CHAIRMAN. Mr. Ralston, you may proceed.

**STATEMENT OF G. S. RALSTON, ONLEY, VA., REPRESENTING THE
LEGISLATIVE COMMITTEE OF THE NATIONAL POTATO INSTITUTE
AND THE EASTERN SHORE OF VIRGINIA PRODUCE
EXCHANGE**

Mr. KINCHELOE. Will you tell us your name, and state whom you represent?

Mr. RALSTON. My name is G. S. Ralston, of Onley, Va., representing the National Potato Institute and the Eastern Shore of Virginia Produce Exchange.

I would like to say a word of explanation before I begin my statement, Mr. Chairman. I was advised in preparing this brief to confine myself to the consideration of Senate bill 4602. At the conclusion of the brief which I would like to submit to you I would like to discuss a few recommendations on behalf of the Eastern Shore of Virginia Produce Exchange.

Mr. KINCHELOE. When you refer to Senate bill 4602, is that the McNary bill which was introduced at the last session of Congress?

Mr. RALSTON. Yes, sir. For the sake of brevity, I will read this brief, if I may.

Mr. Chairman, I appear before the Agricultural Committee of the United States House of Representatives to-day as the representative of the National Potato Institute and also of the Eastern Shore of Virginia Produce Exchange.

This institute is of recent origin but it is national in scope, national in influence, and of national importance in that it adequately represents in its membership both the production and marketing interests of the potato industry of the United States. This organization is a development from within the potato industry—originated and set up by its own volition in the endeavor to improve by self help the distressing financial condition of its membership. It seeks to study the conditions and needs of the industry and solve its national problems harmoniously and equitably as they relate to the producers, the marketing interests, and, of equal importance, the welfare and legitimate rights and needs of the consumers.

The Potato Institute is not the result of chance. It is the direct result of a national movement inaugurated last fall to bring together the leaders of the industry to discuss "ways and means" of relief. A convention for this purpose, held in Chicago last December, was attended by 400 of the leading people vitally interested in potatoes in this country. The result of this meeting was the formation of the National Potato Institute, of which Mr. F. P. Hibst, of Cadillac, Mich., general manager of the Michigan Potato Growers Exchange, is president, and Mr. H. B. Tabb, of Chicago, is executive secretary.

There was also appointed at that time what is known as the National Potato Committee, consisting of 18 gentlemen selected from and representing the large commerce production centers of the United States. From this National Potato Committee has been se-

lected a legislative committee of three members, composed of the chairman, Mr. C. R. Waters, Eastern Shore of Virginia Produce Exchange, Onley, Va.; Mr. H. L. Robinson, manager Hastings Potato Exchange, Hastings, Fla.; and Mr. C. A. Powers, a large grower and dealer of Fort Fairfield, Me. I have been authorized by Mr. Waters to present to your committee the views of his legislative committee on Senate bill 4602.

As I also represent the Eastern Shore of Virginia Produce Exchange, I shall call your attention to the fact that it is a cooperative of 30 years' successful operation, which handles more potatoes than any other cooperative in the United States. The Federal Trade Commission, in reporting to Congress the results of its investigation of farm crop marketing methods, recognized this exchange as an outstanding example among the American cooperatives on account of its ability to improve the general level of sales prices, in effecting standardization of its products, in economy of operation and in improving rural life conditions in the territory in which it operates.

I trust, therefore, in view of the large industry which we represent, that your honorable body will give careful consideration to the suggestions included in the brief I am submitting to you.

It is my purpose in discussing the farm relief legislation proposed in bill 4602 to confine myself exclusively to its effect upon the potato industry in which we are so vitally interested, although we feel that the same facts are equally applicable in principle to other perishable agricultural products.

At this time I wish, in a brief way, to call your particular attention to the economic importance of the potato in the agricultural welfare of the Nation. For this purpose I now include a table (figures derived from United States Department of Agriculture reports) showing acreage, production, and value of the potato annually from 1919 to 1928, inclusive.

Table showing acreage production, in bushels, and value of the white potato crop annually from 1919 to 1928, inclusive

Year	Acreage	Production	Value
1919.....	3,542,000	322,000,000	\$514,000,000
1920.....	3,647,000	403,000,000	461,000,000
1921.....	3,941,000	341,000,000	398,000,000
1922.....	4,307,000	451,000,000	262,000,000
1923.....	3,816,000	416,000,000	324,000,000
1924.....	3,662,000	432,000,000	292,000,000
1925.....	3,113,000	323,000,000	605,000,000
1926.....	3,153,000	326,000,000	805,000,000
1927.....	3,476,000	462,741,000	388,741,000
1928.....	3,823,000	462,943,000	280,043,000

Brief study of the above table shows an annual production during the past 10 years of close to 400,000,000 bushels, over 3 bushels annually for every man, woman, and child in the United States. Officials of the United States Department of Agriculture have also stated that only four years of profitable production occurred during the decade under consideration and six years were without profit. Six years of unprofitable production out of the past 10 is a ruinous record for the potato industry. Reference to our table as to profit and loss causes is enlightening; every year in which

production did not exceed 375,000,000 bushels was profitable to the potato grower, but, on the contrary, every year in which production exceeded 400,000,000 bushels was lacking in profit. Nineteen hundred and twenty might be excepted, since abnormal marketing conditions existed, and light production in 1919 prevented much carryover of old stock from that year into the summer of 1920. Thus the chief cause of unprofitable potato production is clear; fundamentally it is the result of overproduction—constant production much in excess of legitimate consumptive needs.

Overproduction is caused by many factors, by new districts establishing commercial plantings following profit failure from other crops, by poor farm management under the cash-crop type of farming, by unwise expansion in established districts, sided and maintained by unregulated, uniformed, widely speculative credit, which oftentimes actually engages in farming to such an extent that it takes the control of production and marketing from the landowner farmer, instead of serving, as it should, as a legitimate aid to farmer production. Overproduction is further aided by the failure of the majority of the farmers to receive and use crop forecasts intelligently, by lack of coordinated cooperative effort in the potato industry on large enough scale to permit notable results, and by the lack of will by the potato farmer to know, appreciate, and use the known facts by which profit and loss are related to production, market needs, and consumption demands. This truth can be illustrated in no better way than by reference to the 100,000,000 bushels of potatoes produced in excess of consumption requirements in 1926. Under such misguided production the potato farmers will receive for that crop but little more than one-half the cost of production. Such conditions as these are rapidly pauperizing the potato farmers. Therefore, in considering bill S. 4602, we are interested in its values as a means of correcting the conditions we have just described.

The main feature of this bill, as we see it, is to provide means whereby recurring crop surpluses can be removed from the channels of trade and stored until such times as they can be marketed without undue disturbance in order to stabilize prices of farm products, and to further this effort by promoting orderly marketing through farmers' organizations effectively organized under their own control for greater unity in such marketing, thereby securing the maximum price for the crop as a whole. Other comprehensive activities are set forth in the bill but they apparently serve only as means to make surplus control effective, with particular reference to purchase, storage, and resale of surpluses by stabilization corporations, since this feature commands the major portion of the money appropriated by the bill. We must then presuppose that all commodities which participate in the stabilization plan, and which are expected to receive substantial aid under the provisions of the bill, must be essentially nonperishable commodities, and that potatoes and other perishables are not eligible to receive the proposed surplus control aid.

Without debating the right of the potato industry to receive relief under the stabilization plan it is evident that if given it could not be of help in a large way. Potatoes are perishable, the cost of storing and rehandling is very high compared to their commercial worth,

and shrinkage is very heavy in stored goods. Furthermore, in years of large crop surpluses distribution is maintained so uniformly throughout the entire marketing season of the crop that the stored surplus would have no reasonable market opening. There would be no season of deficiency supply during the life of the crop to provide for its effective marketing. Even before the northern tier of States complete the marketing of their stored goods the bulk of the early crop of the next season is largely marketed from the Southern States. Furthermore, were there no competition in early season from the Southern States the excess, even if under surplus control, would have to be released by the latter part of June to conflict with the supply still available from farm and commercial storages.

Regardless of the above, we believe that potatoes and other perishables would not be permitted to participate in the stabilization plan. The act specifically states that "Loans to stabilization corporations shall be made under conditions as will prevent the incurrence of undue risk." The most liberal interpretation of this wording would surely class potatoes as prohibitive risk. Therefore; it seems reasonable to assume that potatoes and other perishables can not hope to benefit under the major provisions of the bill, nor will they likely be in a position to benefit by credit advances, insurance provisions, and other financial provisions of the bill through inability to qualify.

Even though the potato industry probably can not participate in the surplus control features of the bill, we are not disposed to object to other industries receiving the support, if they deem it to be of real aid and service, and we have no desire to obstruct or prevent legislation which may be made in the interest of the non-perishable agricultural industries. At the same time we state our opinion that success in their case will be largely dependent upon a reasonable control of production. We believe that any plan of surplus control which does not also largely regulate surplus at its source can not long operate efficiently.

Even though the bill holds no promise of surplus control or of immediate financial aid to the perishables, it may still afford great help to such commodity lines. By looking further into the bill we believe with some slight modifications of organization, finances, and duties it would offer great help to the potato industry through providing means to stabilize production.

In our study of the bill we have now come to the commodity advisory-council provision which empowers the appointment of such a body to cooperate with the Federal farm board in developing suitable programs of planting and breeding. The salvation of the potato industry lies in this very thing—in the development, maintenance, and extension of suitable planting programs. Help is sorely needed to coordinate and secure cooperation in the financing, handling, and marketing of the potato crop, but were such factors in the most efficient operation they would not save the potato industry from complete demoralization unless production and market demands are more closely harmonized. And, furthermore, any type of farmers' organizations is in grave danger of dissolution, regardless of its intrinsic worth, under conditions of highly excessive production with subsequent acute financial depression within the industry. Again the very fact that there are thousands of acres available for potato

production only emphasizes the great need of a more adequate planting-program organization and support to make its use effective.

The prevention of excessive surpluses rather than means to care for them after production is surely just as sound in theory and practice, more economical in operation, and no more susceptible to failure or reduced income to the industry. There is no doubt in our minds that an official organization cooperating efficiently with governmental and State research agencies and aided by better extension facilities can present better forecasts than are now used, and do much to develop a more stable planting program.

It is not fully apparent at this time what would fully constitute a suitable organization for the efficient development and use of suitable breeding and planting programs, but the purpose in mind would be to regulate planting, in so far as it could be done, to produce a supply approximating consumptive demands at a price which is fair to consumer and producer. There would be many seasons with slight surpluses, due to climatic variations and inability to fully regulate planting. Under such circumstances stabilization may not be fully realized, but it would be achieved to much better degree than it is to-day, and we do believe that the great mass of potato growers in the United States are intelligent enough to make use of these production programs if they are efficiently prepared and presented to them in the right way.

However, we find here the necessity of securing adequate information for such programs through careful research and then placing them within the reach of the farmers through definite, fixed extension means. The act declares that "The board shall, through the Secretary of Agriculture, indicate to the appropriate bureau of the Department of Agriculture any special problem on which research is needed in carrying out the act." But it provides no special assured means of conducting the necessary research on the planting program for each industry, nor does it provide means of placing this information directly within the hands of the producers. Furthermore, we happen to know that the Department of Agriculture does not have the necessary funds to carry on the proper research work for the many commodities that would need this service, nor is it known that the extension service, Federal-State cooperating, has money enough to fill existing gaps in the service which would provide direct channels from the commodity advisory councils to the individual farmer. This is necessary—other means have failed to get crop forecasts into effective use. It would appear that supplementary arrangements would have to be made to allow such programs to function effectively.

Thus it appears that under the present provisions of the bill the breeding and planting programs are of minor consideration, provided largely to supplement and aid the surplus-control plan, and therefore fully dependent for existence upon the establishment and continued operation of a surplus-control plan. It is, therefore, suggested, in the interest of perishable commodities which apparently can not participate in the stabilization plan, that the bill be changed to set up, finance, and make permanent planting and breeding programs for all major agricultural lines and put them into effective use. Following this suggestion, the bill would bring about the formation of a Federal farm board as now provided for, including

authority to create as many commodity advisory councils as seems advisable to the board, and further, to provide for adequate research on the membership of each council and the proper extension of this service—all this independent of any other of the features proposed in the bill. The appropriation to be granted for this specific purpose should be ample so that a permanent farm board and associated commodity advisory councils, and so forth, might be created and continued, regardless of whether stabilization corporations and other features not applicable to perishables should be set up or should later be discontinued.

Furthermore, the commodity advisory councils are just as desirable and necessary to the needs of the nonperishable industries as to the producers of perishables. If they are good for one they will be good for all. We do not know how many of these councils would be necessary, but that matter might safely be left to the Federal farm board for future determination and they could also bring about the appointment of the necessary councils, provided adequate funds are appropriated for the purpose. Funds should be adequate to provide commodity councils for each main commodity, and provide suitable planting and breeding programs and put them into effective use.

The potato industry, through the National Potato Institute and the regional developments under its authority, has endeavored to set up machinery through which such information as breeding and planting programs could be put into effective use, which necessitates the employment of a national secretary, and also an executive secretary for each regional development, such as the one which has been set up for the production area along the south Atlantic coast belt. These secretaries should act in the capacity of liaison officers between the council, the industry, and the local State extension services, which now propose to place the information in the hands of the individual growers. Likewise, conditions and developments locally should be reported back through these officers to the advisory commodity councils for their information and service.

A program of relief might take into consideration the possibility of extending finances to develop such as set up in connection with breeding and planting programs for the large commodity lines. We will now close our brief in making the following specific recommendations relating specifically to bill S. 4602 in the event it should be the basis of the proposed farm relief enactment:

1. Federal farm board as now proposed.
2. Commodity advisory councils for such commodity lines as the board deems advisable.
3. A research man with proper specialized training to be assigned to each commodity advisory council.
4. Provide means to extend planting and breeding programs from the commodity advisory councils to regional and other commodity organizations, and particularly arrange for its extension by the county agent system, where it shall be given directly to the individual farmer and where it can be explained to him by a qualified, competent speaker, such as is found in the personnel of the county agent system.
5. There should be ample provision made for appropriations to carry on this work for all commodities, irrespective of whether they

would benefit under the proposed stabilization plan, and our recommendations should in no wise interfere with separate provisions to organize the stabilization plan for the control of nonperishable surpluses and permit its operation.

We do not know the amount of appropriation that would be ample for this work, but we do know the amount stated in the bill would do little in this direction; therefore we ask, on behalf of the potato industry and other perishables, that this matter be carefully studied and ample provisions be made to effectively carry on the recommended work.

(During the reading of the brief the following occurred:)

Mr. JONES. Mr. Chairman, I think the committee would get more out of this if this gentleman would just tell us what he thinks ought to be passed and what ought not to be passed, and then put his brief in the record. I believe we would get more out of it if he will handle the subject in that way.

Mr. RALSTON. I will be very glad, indeed, to do that.

Mr. KINCHELOE. Will you state to the committee just what you think ought to be done to help the potato growers that would be sound and equitable?

Mr. JONES. Or what ought not to be done that would hurt them.

Mr. RALSTON. I believe perishables can not participate in the stabilization plan as proposed in the bill, and we would like to make the following recommendation:

A Federal farm board as now proposed; commodity advisory councils for such commodity lines as the board deems advisable; a research man with proper specialized training to be assigned to each commodity advisory council; provide means to extend planting and breeding programs from the commodity advisory councils to regional and other commodity organizations, and particularly arrange for its extension by the county agent system, where it shall be given directly to the individual farmer and where it can be explained to him by a qualified, competent speaker, such as is found in the personnel of the county agency system.

Adequate appropriation: There should be ample provision made for appropriations to carry on this work for all commodities, irrespective of whether they would benefit under the proposed stabilization plan, and our recommendations should in no wise interfere with separate provisions to organize the stabilization plan for the control of nonperishable surpluses and permit its operation.

If I may, I would like to call attention to a few things that the Eastern Shore of Virginia Produce Exchange would like to recommend. These recommendations are not coming from the National Potato Institute, but simply from the Eastern Shore of Virginia Produce Exchange.

We believe that the lack of profit in the potato industry is due to overproduction as well as unorganized methods of handling the crop.

In our experience we find that the farmers are noncooperative by nature. They only belong to a cooperative as long as they can derive benefits from it in excess of those derived from independent marketing agencies.

Unless we can make the cooperatives show a profit we are not going to get the bulk of the farmers into those cooperatives.

At the present time they are not able to handle the matter alone; they must have further aid.

The further aid we would suggest is this: That financial aid be extended to the cooperatives. I might say here that that would probably be by a direct appropriation from Congress, from the United States Government, which should be loaned to the cooperatives under the supervision of a Federal farm board, and that should be repaid after a certain length of time, with interest to be paid in order to finance it.

I believe the industry itself should carry this cost rather than have money expended which will be given and will have to be replaced, or else have the plan collapse.

We do not believe that perishables should be handled under the stabilization plan, since in years of surplus the markets are so well supplied during the time that the commodity is marketable that they simply would become unmarketable, and then in the following season they could not be marketed to profit.

I believe there will be a bill proposed by the cooperatives dealing with this financial problem. If it is proposed, we ask that you give it very careful consideration.

We would like to have a Federal farm board appointed and we would like to have these advisory councils. We would like to have research men appointed so we can get adequate information in regard to breeding and planting programs so that when a recommendation is made it will be based on sound facts.

We also feel that the whole general structure of transportation rates—I do not know whether this is pertinent at this time, but I would like to make this suggestion—is too high, considering the area in which we can economically distribute our products.

We feel that the market news service should be extended, so that we can know daily throughout our shipping season the number of cars in transit and their destination, so that we can make better decisions as to prices in certain towns.

If we put in potatoes at too high a price, they move very slowly and are injured. If we had that information it would be very helpful.

I believe those are all the recommendations I have to make.

Mr. KINCHELOE. Did your organization indorse the McNary bill, or the one that was introduced at the last session?

Mr. RALSTON. We did not. There is one provision you have there that would seem to be of service to us, and that is the planning program. We believe that would be beneficial, but that probably would not get at our surplus, and we ask that there also be provided some surplus-control features in the bill.

Mr. KINCHELOE. It provides for a revolving fund that would be loaned out of the Treasury for that purpose, does it not?

Mr. RALSTON. Yes, sir; I believe so.

Mr. KINCHELOE. To be used in marketing and handling the surplus products throughout the country.

Mr. RALSTON. I do not know whether I can answer you as to that; but I want you to bear in mind that we had from 60,000,000 to 100,000,000 bushels of surplus potatoes last year, and if we were to get money to take care of that surplus it might take possibly \$60,000,000. The potatoes themselves would have been a total loss.

Mr. KINCHELOE. Would you advocate, then, a measure whereby a farm board would have the power to take a revolving fund out of the Federal Treasury to assist the cooperative-marketing organization in handling even non-perishable products?

Mr. RALSTON. We would not object to the nonperishable products receiving that aid, but we are not competent to discuss what aid they ought to receive; but in the case of perishables, when you have a surplus over the market demand, the situation is that that surplus becomes unmarketable.

Mr. KINCHELOE. How would you through legislation expect to effect the financing of that proposition, as to nonperishables?

Mr. RALSTON. We hope to have a fund appropriated by Congress to be loaned to the cooperatives, with which they can set up better facilities for handling and marketing, and whereby they can finance the crops in a stabilizing way.

Mr. KINCHELOE. What security would you provide, or what security would the cooperative have to offer in the financing and handling of perishable products? What security could they give the Federal Government?

Mr. RALSTON. I presume only by the past history of our marketing and by the marketing contracts, the past history showing that we have marketed successfully for 30 years. That would be done by tying up the membership that participated in the benefits from the financing, so that the money could be paid back.

Mr. KINCHELOE. Would you tie them up individually.

Mr. RALSTON. Yes; those who participated in the benefits.

Mr. KINCHELOE. Making each member of your organization responsible on the note contracts?

Mr. RALSTON. No, sir; I mean the marketing cooperative itself. Our cooperatives would have the crops as assets. That would be the only asset it would have.

Mr. KINCHELOE. What will be the security?

Mr. RALSTON. Let me see if I can make myself clear. Our membership would be tied up by the marketing contracts. That would compel them to deliver their products to the cooperative with the understanding that whatever deduction was necessary for repaying the money that they had borrowed would be taken out before they received any return from their crop.

Mr. KINCHELOE. And you think that in that way they could secure from the Federal Government the necessary loans?

Mr. RALSTON. I do not know. I am simply making the recommendation of that as a means whereby these cooperative organizations could be set up. Unfortunately, I am not versed in banking, and I can only tell you what I think would be beneficial to the cooperatives, and I believe it has been advocated repeatedly from Washington that cooperative marketing is the basis for farm relief.

Mr. KINCHELOE. You do not think anything can be done to relieve the surplus except through a subsidy out of the Treasury?

Mr. RALSTON. It looks like that to us.

Mr. KINCHELOE. Then, this loan business, whether done by the Federal Government or by any other agency, to take care of the surplus, will be a losing proposition, will it not?

Mr. RALSTON. We hope that in connection with that exchange it would not be a losing business.

Mr. KINCHELOE. I am talking about the net result.

Mr. RALSTON. I do not believe it would be with our organization.

Mr. KINCHELOE. If the Federal Government should be willing to loan funds for that purpose, why can they not borrow the money from private enterprise to finance this marketing?

Mr. RALSTON. Because our assets are not great enough to permit us to receive all the money that we need. They will not loan us sufficient money on our market contracts to carry out those purposes.

Mr. KINCHELOE. If it is a safe business proposition, why will they not do so?

Mr. RALSTON. I believe that it is contrary to the banking regulations.

Mr. KINCHELOE. Do you not think that the president or board of directors of a bank would be just as crazy as a March hare to lend money on those products?

Mr. RALSTON. We believe that legislation can not be made effective unless it seeks to control the surplus at the source.

Mr. KINCHELOE. How would you control it at the source—by destroying it?

Mr. RALSTON. No, sir; by planting less acreage.

Mr. KINCHELOE. You are now talking about a condition where there will not be a surplus.

Mr. RALSTON. Only a moderate surplus, at least. Of course, we can not control the weather, but we would like to harmonize it, if we could.

Mr. KINCHELOE. How would you prevent it?

The CHAIRMAN. Your time has expired, Mr. Kincheloe.

Mr. KINCHELOE. Who held a watch on you a while ago? I will observe the rule, but will good-naturedly admonish the chairman to do the same.

Mr. JONES. What kind of a contract do you have for the members to sign up?

Mr. RALSTON. At the present time we have a contract that is not binding in that way, but in case of financing, we put a crop lien on.

Mr. JONES. Do you have the members to sign up a contract by which they agree to turn their crops over to the association?

Mr. RALSTON. Yes, sir.

Mr. JONES. For what length of time do they sign them? Do they run for one year?

Mr. RALSTON. Yes, sir; for one year.

Mr. JONES. Then, as to whatever borrowings were made, they would obligate themselves to have a certain percentage taken out of their returns for the repayment of the loan.

Mr. RALSTON. Yes, sir.

Mr. JONES. If you borrowed a lot of money would that make it still more difficult to get them to sign up?

Mr. RALSTON. No, sir; where we were financing them, they would have to do that.

Mr. JONES. Would you finance them for the purpose of buying facilities for handling the surplus?

Mr. RALSTON. No, sir; it would be largely for production purposes, although we might want to provide facilities for handling the crop.

Mr. JONES. I can see some reason for borrowing for the purpose of providing facilities for that kind of crop, but, it seems to me, that it would be a pretty hard thing to have any borrowing for production purposes, because that would tend to increase the production.

Mr. RALSTON. If it were handled correctly, it would not have that effect, but it would tend to decrease production. At the present time potato production is financed almost entirely from banks or from some other similar financial sources, and a great many of those people are interested in excess production of potatoes, in that it allows them to sell supplies and to market products for which they are paid a package charge. They are paid a package charge for the marketing.

Mr. JONES. In other words, they make money out of the sale of supplies and from the sale of potatoes.

Mr. RALSTON. Yes, sir; and that is a thing we must strike out by getting some more stabilizing financial plan. They have the farmer to agree, we will say, in return for financing, or for every ton of fertilizer furnished, to deliver to them 16 barrels of potatoes.

Mr. JONES. And they may be paying a double price for the supplies.

Mr. RALSTON. They usually do.

Mr. JONES. And I will say that that condition is not peculiar to the potato growers. It applies to a great many other growers of farm products.

Mr. RALSTON. We believe that if we could go to our people and say to them that the production is too large, and that we will finance them up to 80 per cent of the acreage on the eastern shore, it would be effective. We believe that if we could go to the potato growers on the eastern shore of Virginia and tell them that we would finance their production within 80 per cent of what it had been in the preceding year, or if we could finance it through the cooperative, with a charge of 6 per cent interest, and have them sign contracts whereby the money that was borrowed would be repaid annually, it would be effective, and we believe that, instead of increasing the production, it would have the effect of decreasing it. For the money that they are getting at the present time they are paying greatly in excess of that, and the dealers are trying to keep up an excess production in order to facilitate their own business.

Mr. KETCHAM. Do you expect to have your organization meet this year in this matter?

Mr. RALSTON. Yes, sir.

Mr. KETCHAM. Approximately how many growers are represented by your organization?

Mr. RALSTON. It will run somewhere between two and a quarter million and two and a half million growers who, I believe, are represented in the organization, directly or indirectly.

Mr. KETCHAM. Suppose, for the sake of illustration, we will say there are 2,000,000 members.

Mr. RALSTON. Yes, sir.

Mr. KETCHAM. And suppose you could do the very thing that you want to see accomplished in the way of having definite information put into the hands of every grower, and so reinforced that it would bring home to him the consequences of overproduction.

Suppose all that were done, and the situation were realized to the utmost of your hopes this year, what do you think would be the effect upon their planting this year?

Mr. RALSTON. We have had that in mind in the stabilization work that we have been trying to effect. Of course, we do not want to have too big an acreage, and we do not want to have too high a price for potatoes. If we had a price of \$16 per barrel for potatoes, there would be no way of keeping them from planting an excessive crop of potatoes next year. We would like to stabilize it at a point that would be fair to the producer and to the consumer. I believe that the farmers themselves are intelligent enough to eventually make use of the information correctly, and that the people will come more nearly to use the stabilization methods than at the present time, when the farmer is working entirely in the dark.

Mr. JONES. Suppose, instead of having a surplus this year, there had been a shortage or deficiency of 25,000,000 bushels of potatoes. Do you believe that all the research in the world that you might obtain for the individual growers would prevent them from going out and planting more acreage than they should?

Mr. RALSTON. I still contend that the farmer is intelligent enough with the facts that are behind him to use the information correctly.

Mr. JONES. The reason I emphasize that point is that Mr. Moser, representing cotton cooperatives, discussed this matter on yesterday. He said that their experience, taking it up one side and down the other, has been that the difficulty of control is not in the lack of price but in the price itself, and unless we thoroughly misinterpret the attitude of the growers—

Mr. RALSTON (interposing). With the facts behind them, we believe that they would use the information correctly.

Mr. JONES. Do you believe that your farm organization could by any regulation that you might lay down bring pressure to bear upon those men, by means of suggestions, regulations, or anything else you could conceive of, that would penalize them if they should over-plant?

Mr. RALSTON. We have records which come largely through cooperative bodies themselves, representing organized farmers—

Mr. JONES (interposing). That is what I am referring to. Have you any hopes of being able to accomplish the thing that you have in mind, or that will work out the thing that everyone sees you have in mind?

Mr. RALSTON. I do not know whether we could get the ultimate thing, but this council could be made one of great service as an advisory body in making recommendations which would come down to the cooperative organization. That would help guide them in their work for the year.

Mr. FULMER. To what extent do you operate—in just one State or in more than one State?

Mr. RALSTON. We operate largely in two counties on the eastern shore of Virginia, and somewhat in adjoining counties in Maryland, as well as in one county on the west shore of Chesapeake Bay.

Mr. FULMER. What percentage of the potato crop do you handle in that territory?

Mr. RALSTON. We handle from 55 per cent to 65 per cent annually of the potatoes, sweet potatoes, cabbage, onions, and strawberries produced in that territory.

Mr. FULMER. You pay about what per cent of the actual value of the potatoes when they are delivered to you?

Mr. RALSTON. We do not pay anything at all when they are delivered, but, ordinarily, we pay in full in not longer than 10 days.

The CHAIRMAN. Mr. Fort, do you have any questions?

Mr. FORT. The eastern shore of Virginia cooperative is the oldest successful cooperative in America, is it not?

Mr. RALSTON. With the possible exception of the Citrus Fruit Exchange.

Mr. FORT. But your cooperative is the oldest in continuous management, is it not?

Mr. RALSTON. Yes, sir.

Mr. FORT. And you have concluded that in the potato situation you need national federation?

Mr. RALSTON. Yes, sir.

Mr. FORT. Therefore, even with a successful organization like your own, you feel that you require national cooperation on top of that?

Mr. RALSTON. Yes, sir.

Mr. FORT. You feel, therefore, that in the framing of this legislation, we should look toward having a board to assist in the creation of national federations of cooperatives?

Mr. RALSTON. That would be the ultimate thing, at least, but I would hesitate to say that we should try to organize a national one, beginning at the top. If you would start at the bottom, it would be better.

Mr. FORT. I agree with that. That is what I meant.

Mr. RALSTON. Let me illustrate that: We have been marketing for a long time on the eastern shore of Virginia, but we do not have control of the potatoes during the marketing season of North Carolina, South Carolina, Missouri, Oklahoma, and Maryland, all of which interfere with our marketing season. Therefore, we can not control the price. Furthermore, we can not control it at home.

Mr. FORT. You have no futures market in your product?

Mr. RALSTON. Yes, sir; we have some futures—

Mr. FORT (interposing). I mean no futures market like they have for grain and cotton.

Mr. RALSTON. No, sir.

Mr. FORT. With these perishables it is rather important that some steps be taken to do exactly what you have done voluntarily this year, by having a federation of the various shipping points through the local cooperatives federating and controlling the market.

Mr. RALSTON. It is quite possible that that would be of great profit on the eastern shore.

Mr. FORT. Anything that would assist that plan would help you.

Mr. RALSTON. Yes, sir. That is something that is proving of value. It is something that actually will help, but it appears to us that there might be the danger of tackling something that in the end would be harmful instead of beneficial. We want anything that will strengthen the cooperatives. Anything that will strengthen the cooperatives will be beneficial to the farmers.

Mr. FORT. Then your view is that we should not set up any machinery superimposed on the cooperatives from the top?

Mr. RALSTON. No, sir.

Mr. FORT. And we should have them assist the cooperatives, or assist in the local organization of the cooperatives, and then in the federation of all the local cooperatives into a single organization, only if desired by the cooperatives themselves.

Mr. RALSTON. I would think so.

Mr. FORT. Did you hear Mr. Marshall's testimony in regard to the handling of Florida perishables?

Mr. RALSTON. No, sir; I did not.

Mr. FORT. He told us that he found in Florida great desirability of shipping in mixed carload lots.

Mr. RALSTON. Yes, sir.

Mr. FORT. Do you follow that practice?

Mr. RALSTON. No, sir; we usually ship in straight carload lots.

Mr. FORT. You do not ship mixed cars of potatoes and other vegetables to retailers?

Mr. RALSTON. It so happens that in our development that has not usually taken place. There is very little demand for that. When they purchase potatoes they usually want a carload. I might say this, that we had a clearing-house plan on the eastern shore of Virginia for two years trying to harmonize the marketing of the independents and the cooperatives; but it does not work. It is like mixing water and oil. You might put some soap in and make them mix temporarily, but they will separate, because they are antagonistic in their direction. We believe that anything that can be done to strengthen the cooperatives will be beneficial to the farmers.

Mr. FORT. Would you wish, in that connection, to follow the plan, or to make the effort, that is being made in California now along the line of handling grapes, pears, etc.?

Mr. RALSTON. Casually, as I understand it, that has not been successful. We understand that that has not been successful, probably due to an unseemly expansion of business. We believe this, that if you will take any commodity, or, at least, perishables—and I will not discuss nonperishable products—but if you take any perishable commodity, you will find that the only way you can help the farmer permanently is to have him reduce his production so as to somewhat harmonize with the consumption needs. We believe that you can do that only through the cooperatives, and we believe that every cooperative farmer will receive what the law of supply and demand justifies him in receiving.

Mr. FORT. Do you do any processing, canning, or preserving in the handling of your commodity?

Mr. RALSTON. No, sir.

Mr. FORT. You have never experimented with that?

Mr. RALSTON. No, sir; but our charter provides for it.

Mr. FORT. Has that been proposed?

Mr. RALSTON. Not up to the present time, but we might do that later on. We would like to have the bill provide for it.

Mr. MENGES. If I understood you correctly, you advocated the use of the county agents in the handling of this proposed service.

Mr. RALSTON. Yes, sir; in the information service to be given the farmers.

Mr. MENGES. In my district, we organized what was known as the 400 bushels per acre potato crop.

Mr. RALSTON. Yes, sir.

Mr. MENGES. But they have now raised that standard, I think, to 500 bushels per acre. In order that a man might become a member of such an organization, he must raise his production to 500 bushels per acre.

Mr. RALSTON. Yes, sir.

Mr. MENGES. That is under the direction of the county agent?

Mr. RALSTON. Yes, sir.

Mr. MENGES. Would that be the general plan in carrying this matter through, to raise the production to 500 bushels per acre, without saying a word in regard to the reduction in acreage? How would you reduce your surplus in that way? Should not the county agent, in advocating the increased production, have given the farmers information that if they increased the production to 500 bushels per acre they should grow one acre instead of three? You would then be getting economical production.

Mr. RALSTON. I think he should have done so. Of course, I am in perfect accord with increased production.

Mr. MENGES. But if the county agent simply advised that increased production, it seems to me that you could not use him for your purpose.

Mr. RALSTON. We would want him to advocate growing 400, 500, or 600 bushels per acre, but we would want him to insist on growing them on a less number of acres.

Mr. ADKINS. Do you know of any other organization or individual that could offer a farm-relief measure in which the bugaboo of overproduction would not be raised?

Mr. RALSTON. No, sir.

Mr. ADKINS. Do you not think that if we make any start at all on this line that we should cover that feature of it?

Mr. RALSTON. We are perfectly willing to do it.

✓ The CHAIRMAN. Mr. Clarke, do you have any questions?

Mr. CLARKE. Do I understand that through your farm organization, an effort was made last year to discourage the acreage that was to be planted in potatoes?

Mr. RALSTON. This spring; yes, sir.

Mr. CLARKE. But only this spring?

Mr. RALSTON. Yes, sir.

Mr. CLARKE. According to the papers, was there not a general effort made to get them to reduce their acreage?

Mr. RALSTON. It was not done in an organized way. This is the first year it was done in an organized way.

Mr. CLARKE. Was not the information generally disseminated through the press that the acreage in potatoes should be reduced?

Mr. RALSTON. Yes, sir; but it does not reach them. You can not reach the individual farmers in that way—through the papers. You must have closer contact with him than you could have through the papers. You must have personal contact with the different farmers.

Mr. CLARKE. Of course, you already have the farm organizations and the county agents all the time bringing that sort of information to the farmers?

Mr. RALSTON. But they do not bring it emphatically enough to their attention.

Mr. BRIGHAM. As I understand it, there was an excess crop of potatoes in 1928 of 100,000,000 bushels, or a surplus of 100,000,000 bushels. Now, is there any way in which that surplus can be carried over or disposed of?

Mr. RALSTON. Not in our section. We have thought of starch, but found it could not be manufactured profitably. Furthermore, we can not produce potatoes economically enough to be profitable if we should turn them into starch. There is an enormous oversupply of potatoes in any given market ordinarily at this time of the year, and there would be no season of year in which such surplus could be put on the market.

Mr. BRIGHAM. There is no export demand?

Mr. RALSTON. There is a little, but it is very minor. It comes early in the season.

Mr. BRIGHAM. They could not be manufactured into any by-products?

Mr. RALSTON. In the northern part of the United States, some can be used for starch, but we can not use them that way in the southern part.

Mr. BRIGHAM. Then, there is no way of relieving the situation by manufacturing potatoes into by-products which could be carried over, and which would give any tangible assistance in the handling of that surplus of 100,000,000 bushels.

Mr. RALSTON. No, sir. There might be some by-products, and there might be some means of conserving some of them. Perhaps research by chemists might help us in that respect, but we believe that it would help only to a very limited extent.

Mr. BRIGHAM. Then, if you were organized so that you had a national federation of cooperative potato handling organizations, so that sales would be made largely through one source, with conditions like those prevailing this year, with a surplus of 100,000,000 bushels, you could not do anything to remove the burden of that surplus from the producers.

Mr. RALSTON. Very little. There have been some suggestions made that by raising the requirements as to the goods that could be placed on the market it might be that some of them could be kept out, or at home in the hands of each individual farmer. We are not ready to commit ourselves on that question. It is right hard not to sell things, if they will bring back the cost of production, and if you take a city right alongside the territory where there is a market, it is hard to prevent people from shipping in there and receiving a profit.

Mr. BRIGHAM. Assuming national organization to be in existence it would have actually to destroy about 100,000,000 bushels of potatoes in order to raise the price to a proper level as conditions have been in 1928.

Mr. RALSTON. Yes, sir. In 1925, with a production of less than 330,000,000 bushels, we got about \$605,000,000, but in 1928, with a production of 462,000,000 bushels we are getting \$250,000,000 for the crop. They had better destroy half of them.

Mr. BRIGHAM. Is it true that the best remedy would be absolute destruction of that volume of potatoes?

Mr. RALSTON. If they were produced, but we would rather save the fertilizer cost and the labor cost of producing something that was not worth anything.

Mr. BRIGHAM. Then you have more faith in finding some plan of adjusting the acreage of potatoes so as to avoid overproduction.

Mr. RALSTON. We believe that it is the only remedy.

Mr. BRIGHAM. As a matter of fact, did not the outlook reports of the United States Department of Agriculture for 1926 and 1927 have a great influence in holding down the acreage in potatoes?

Mr. RALSTON. They might have had; I do not know.

Mr. BRIGHAM. And some of those were profitable years, I believe.

Mr. RALSTON. The prices were fairly good or reasonably good.

Mr. BRIGHAM. Yet, in spite of that fact, the acreage was held down.

Mr. RALSTON. Yes.

Mr. BRIGHAM. Do you not think that the efforts of the Department of Agriculture had a great deal to do with that?

Mr. RALSTON. I do not think there is any doubt about that at all.

The CHAIRMAN. Mr. Houston, do you care to ask any questions?

Mr. HOUSTON. When you speak of a surplus, you mean the national surplus, do you not?

Mr. RALSTON. Yes, sir.

Mr. HOUSTON. Is that affected to any extent by foreign importations?

Mr. RALSTON. I purposely did not discuss that matter because that immediately brings up the question of the tariff which I do not feel qualified to discuss. There are some importations from Canada.

Mr. HOUSTON. Are they very appreciable?

Mr. RALSTON. I do not know to what extent they come, but I think they are rather large.

Mr. HOUSTON. With a proper tariff, would that industry be in a position to supply all the demands?

Mr. RALSTON. We have oversupplied it for 10 years constantly.

Mr. HOUSTON. Then, the tariff is the thing you need.

Mr. RALSTON. Probably so; but that is a question I do not feel qualified to discuss. I have not made any particular study of that question, and I do not want to talk about something that I do not know anything about.

STATEMENT OF I. H. HULL, GENERAL MANAGER PURCHASING DEPARTMENT OF THE INDIANA FARM BUREAU

Mr. HULL. I do not want any misunderstanding to arise because of the fact that I am not going to speak about surplus control or the usual idea of farm relief. Our organization is firmly behind the movement for surplus control, as has been expressed to you, I believe, by the representative of the American Farm Bureau Federation. Personally I am interested in other phases of this great problem, which, so far as I can learn, have never been fully or thoroughly discussed before any of the committees.

I have been quite gratified since coming to Washington to find that the Bureau of Economic Research is in very hearty sympathy and enthusiastically behind the program we are carrying out, and

have even gone so far to express the opinion that it is, perhaps, of equal importance with the assistance that can be given in the selling of farm commodities. We think, from our analysis of the problem, that the farm problem is probably brought about by the fact that we have on our farms to-day only an increase of 34 per cent in the sale price of our commodities, based on the 1910 to 1914 average, while we are paying for the supplies that we buy on our farms 57 per cent more than we paid at that time, making the differential between our sale price and our purchase price, to the disadvantage of the farmer, some 23 per cent. We are taking the position that that problem of 23 per cent should be tackled from both ends—that is, that you should, so far as possible, assist in a more intelligent and efficient marketing of farm products and, at the same time, not forget the fact that it is possible, as we have already demonstrated to our satisfaction, for the farmer to reduce the purchase price of the things he is buying.

Now, that is not a situation which is peculiar to agricultural buying. I think you might go into almost any kind of industry that you want to investigate, and you will find that they have just as much influence, or can have just as much influence, on the price of the things they buy as on the price of the things they sell. I refer you only to what happened this fall, when the great packers of America, at the time the hogs came on the market, found it possible to reduce the price of the hogs they were buying from the farmer, some \$4 a hundred inside of a couple of weeks' time. Those same packers that were able to control their purchase price have been unable to so fix the price of the fertilizer which they manufacture and sell as to make a profit on that fertilizer, and they have even issued a statement, through their executive secretary in this city, that in the last seven years they have lost \$225,000,000 in their manufacture and sale of commercial fertilizer.

The Federal Trade Commission, in reporting on the cause of that reduction, or of the initial reduction in the price of fertilizer, made this statement: This happened several years ago, and our organization combined with several other States in a large way to purchase our fertilizer requirements, and at that time the price of fertilizer was brought down some 30 or 35 per cent; and the Federal Trade Commission made the statement that the principal factor in reducing the price of that fertilizer was the cooperative buying of that fertilizer.

We have had that same experience with several other commodities. We made a contract with the Standard Oil Co. for the needs of our members in Indiana, and immediately saved them, on the terms of that contract, 16 cents a gallon on the purchase of lubricating oil, which amounted again to something like 30 per cent of their cost price of that commodity that they were buying.

We made a contract with the Dunham Culter Packing Co. for our requirements of culter packers for Indiana, and on the terms of that contract reduced the purchase price to the farmer from \$95 to \$69 apiece on those machines. We have the information that under the present cost of distribution—I believe the International Harvester Co. have made the statement; some of the large implement companies have—that it is costing them at the present time

something like 45 per cent of the consumer's purchase price of their farm machinery to get it from the factory out to the farmer.

I am merely bringing that in as a statement as to what I think some of the possibilities are. The records will show to-day, if we had time to go into them, that all the commodities which our organization is to-day buying from industrial sources and distributing among our members, we are distributing at a cost which averages only a trifle below the 1913 cost of those same commodities to the farmer, in spite of the fact that he is to-day receiving some 34 per cent more for the things that he sells than he got in 1913.

Now, I am not saying that that should be done with all things. I am saying that it has been done, and that is the record to-day of all of the things that we are handling in our large scale corporate buying.

So I am claiming that this side of the problem is at least worthy of careful consideration when we are attempting to solve this problem, which Mr. Hoover said has many angles to it. I do not think anything any truer has been stated.

I want to get this thought also before you, just in passing: We do not think that any relief measure that is going to be adopted is going to solve this problem immediately. It is going to be a long-scale program, and I think, in fairness to the administration and everybody else, we ought not to expect this problem to be solved between now and the next election. But I do think that we ought to look at this thing on a sound, substantial basis, and start out to assist in building the kind of organization that can help the farmer over a long period of years.

If I had time, I would like also to give you a little description of the plan of our organization. We are operating in Indiana as many other States are. In New York they have the G. L. F. Exchange and the Eastern States Exchange, each doing more than \$10,000,000 of purchasing. We are doing several million dollars. Michigan, Ohio, and a lot of these other States have set up these purchasing departments, coordinating the local organizations and assisting in the building of local cooperative associations. Those local cooperative associations in Indiana are owning and controlling the operations of the wholesale department of which I happen to be the manager. It is a purely Roachdale plan of organization, if any of you gentlemen are acquainted with that system. It has been built over a long period of years in England, and in nearly every nation of Europe is in successful operation.

I would like to bring before you one other feature, which I consider the most important feature of the service that we are giving. Then I want to take just a minute of your time to discuss one or two of the problems and difficulties that we have, in order, probably, to bring out a line of cooperation which the Government might give, and some assistance in the work that we are doing.

I have discussed here rather fully the fact that we have been able to effect a buying price to the farmer. That is not the most important thing that we have been able to do.

I want to give just one illustration—we might give a number—to show you what I think has been the important thing that our department is doing in the service that we are giving to the farmer.

We have a very close cooperation with the extension department in the university. In the making up of our feed formulas that we sell and distribute among our members, we go to the university and make up, under our own brand and our formula, the recommendations of the university, and carry those out to the farmer in a commercial way. The university has carried on extensive experiments, showing that certain lines of seed, for instance, are not adapted to use in Indiana. This particular year our clover-seed requirements came from two different States, in the main; from Oregon and from Idaho. The experiments at the university showed that the Idaho seed, under ordinary conditions, is about as well adapted to use in Indiana as our own home-grown seed. They also showed that the Oregon seed will winter-kill in our severe Indiana winters from about 80 to 90 per cent. The last experiment showed between 80 and 90 per cent of winter killing.

Now, it so happened that this year the Oregon seed was considerably cheaper than the Idaho seed. The farmer, as an individual, has no way of protecting himself or knowing when he buys the Oregon seed or the Idaho seed. We passed a law that was supposed to cover that thing in Indiana, and we prosecuted, convicted, and fined about every wholesale seed distributor in Indiana for misbranding his Oregon clover seed. We brought in there, according to the records that we have, something like 50 carloads of Oregon clover seed which was worth several times less than nothing to the farmer, because he would not only lose the purchase price of the seed but he would lose the crop that he anticipated and break up his rotation.

Now, I have a statement here from Doctor Wyant, of the Minnesota crop department, that he made at a meeting in Indianapolis this winter, where he told the men a thing that I hardly supposed he would dare to say. He said, "The best protection in buying clover seed is to buy through your own organization, because we have got volume enough now that we put out in Idaho, at the source of the seed, to buy the seed and ship it in there."

I am giving that merely as an illustration of what can be done by this type of large-scale coordinated buying organization in the way of protecting our farmers in the purchase of the raw materials that they use out on the farm. It is nothing more or less than every other great business does. Henry Ford's company nor any other industrial enterprise would think of buying their supplies through some privately-owned corporation, either from the standpoint of the price that they would pay or from the standpoint of the quality of the raw materials they would have. It just simply would not be considered.

Now, we do have some difficulties in setting up these local organizations through which we can function to carry this service out to our members. There are two or three of them. There are just two that I think we ought to mention here, possibly, in order that you might consider some possible program of assistance. One of those is the fact that it is hard for use to get finance, both for our own operations and for the operations of our local organizations. Several suggestions have been made. I am not here to-day to tell you people what to do. I do think, among other things, that when your bill is prepared the funds which are being made available for loans to co-

operative associations should include the buying cooperatives. There is no reason under the sun for making those loans to selling cooperatives alone and leaving out the buying organizations. I do not think anyone can justify that program. Our collateral will have to be of a different nature, to be sure; but the record of success and of ability to pay back those loans in a buying organization is almost 100 per cent. We have not had any failures among our buying cooperatives that were set up on this plan and properly supervised and controlled.

There is one other thing that I would like to mention here specifically; the very fact that we have been able to make a gratifying record there, and the fact also that it is becoming now, as one of your cooperative marketing men said a little while ago, quite generally recognized that you must have these local associations through which you can function for your marketing program. Under this plan this is the way to build your local organization. I can even quote our wheat growers' association in Indiana as backing up that statement, and at the present time, in planning the future operations of the Central States Soft Wheat Growers Association, they are planning to handle that idea, get it together and make the shipments, and handle it through these local organizations which we have put in as the local units of our own organization.

Now, that does not mean that we will have anything to do with the wheat in our wholesale department, but it does mean that we will have a friendly unit out there of our own organization to handle that wheat; and, as the gentleman said a while ago, that has in many places been the problem. It has been in Indiana. In my opinion the greatest trouble of the wheat growers' association is the fact that that wheat was handled by unfriendly elevators in the various communities, and those elevators came in daily contact with the contract signer and carried on a propaganda that made it impossible for them to hold his confidence and to gain the volume necessary for their success. Under this plan we will have a friendly unit out there to handle that wheat, and I do not think any kind of cooperative movement will ever succeed until you do have that local unit out there that will work with you and not take advantage of the fact that they have the individual contact with your member, while your association does not.

It has been very gratifying to me since coming here to have a conversation over here in the department of cooperative marketing, to get their reaction and find out that they were in complete accord with some of my own ideas; and I suggested this thing in my discussions with them: First, the need for more finance; and they agreed that that was a thing that should be taken into consideration in your legislation. The other thing was that there was such a complete ignorance among these farmer boards of directors, and in many places among their managers, as to just how to proceed, as to what they want to do, what they are set up for, and how to organize and how to operate their cooperative associations; that perhaps there is no greater problem before us to-day than simply an educational program, to carry out in a more or less systematic way to these local units an educational program that will show them just the bare essentials of a business operation. An experience that the farmer has never had has been that of operating a business.

The CHAIRMAN. Your time has expired.

Mr. HULL. All right. I am very glad to have had the opportunity of appearing before you.

Mr. FORT. Mr. Chairman, I move that the gentleman's time be extended five minutes. I should like very much to have him discuss the Roachdale plan.

Mr. PURNELL. Mr. Hull, would you care to stay over until the afternoon?

Mr. HULL. I would be very glad, if the committee cares to go into this thing further, to stay over until evening.

The CHAIRMAN. Is there objection to the request for five minutes additional time? Without objection, it is so ordered. You may proceed.

Mr. FORT. I think this is the first opportunity we have had to hear a statement on cooperative buying. This witness seems to know something about it, and I should like to have him go into it more fully.

Mr. HULL. I do not know what further to say in regard to the plan of our organization. I might show you just a picture of our set-up at the present time. Here is a map of Indiana. We started this plan just about three years ago now. We now have 64 of the 92 counties incorporated with local cooperative associations, those associations owned and controlled and operated by the members in that county; one man, one vote—on a purely Roachdale plan. They in turn own all of the capital stock. We have accumulated nearly \$500,000 of earnings in the last three years of operation, since I have been with the department, all of which has been returned in the form of patronage dividends back to these member counties, excepting some \$83,000 that we hold in reserve to do business with. We use that for the initial finance to buy our clover seed and carry on these other operations.

The history of the Roachdales is this: That once they accumulate a volume such as we are rapidly gaining in Indiana they go on back of the purely buying program and enter more or less into the production program of the things that the farmers use; and we have, I might state very frankly, right now a project on foot that I think will take some of these raw materials—probably some of the by-products of our wheat and those other things—and go to mixing them and making up our own commercial feeds for the dairymen of Indiana, and let that be a direct process, taking it entirely out of speculative channels and handling it right from farmer to farmer.

That has been the history of the Roachdale plan where it has been in operation in other countries. It probably holds very great possibilities. As nearly as we can tell, there are great opportunities for saving in that more direct method of handling.

I do not like to keep you people here. I know you are anxious to get away to your luncheon. If there are any specific questions that you would like to have me answer, I should be very glad indeed to answer them.

Mr. FORT. Speaking for myself, I think you have given us some very new ideas on this thing, and I would like to see you go into it extensively.

Mr. PURNELL. Mr. Hull, could you stay over this afternoon and let the committee examine you, beginning at 1.30?

Mr. HULL. I would be very glad to stay, yes; although I would like to get away in time to catch the evening train.

The CHAIRMAN. The committee will stand in recess until 1.30.

(Thereupon, at 12.25 o'clock p. m., a recess was taken until 1.30 o'clock p. m.)

AFTER RECESS

The committee resumed, pursuant to the taking of the recess, at 1.30 o'clock p. m.

The CHAIRMAN. The committee will be in order. Mr. Purnell, have you any questions that you would like to ask?

Mr. PURNELL. I do not believe I have, except I want to say to the witness that he has given us some very valuable, interesting, and helpful information. I do not think I shall ask him any questions.

Mr. KINCHELOE. I was not here during all of your statement. Do I understand that you are the secretary of the Indiana Farm Bureau Federation?

Mr. HULL. No; I am manager of the purchasing department, a separate corporation working in cooperation with the farm bureau.

Mr. KINCHELOE. I want to get your idea about this proposition, and I ask you your idea because of your long years of experience. First and foremost, I think the great trouble with agriculture is the surplus products that we raise. I do not think you are going to solve their problem until you get some system by which you can take care of the surplus and feed it to the world's market gradually. I do not know but one of three ways to solve the surplus problem, and I do not know whether that will do it or not. That is either the equalization fee, where you pro rate the cost back to the individual producer in proportion to what he raises, or this allotment plan, which is the same thing in a different way, or a subsidy out of the Treasury.

Can you give us any other method by which that can be accomplished?

Mr. HULL. I think I stated at the outset that we were in favor of an American farm bureau plan of surplus control. I am not qualified to discuss that program intelligently.

Mr. KINCHELOE. As I said, I am asking these questions for my own information. I was just wondering if you had any other way in mind of taking care of that difficulty. I just want to know what you fellows who have also been studying this matter for a long time think about it, and whether you have any other plan to take care of it or not.

Mr. HULL. We have been trying to think of some substitute for the equalization fee, and we have had a number of discussions lately. We have not quite satisfied ourselves yet.

Mr. KINCHELOE. Of course, as I say, this allotment plan, which is an equalization fee in principle, and a subsidy out of the Treasury are the only ways I know to take care of this surplus situation.

Mr. HULL. Our organization never has favored the idea of the subsidy. I do not think it is sound. I do not think it could exist over a very long period of time.

Mr. KINCHELOE. I am afraid that it would get worse, myself, but, so far as I am concerned, in order to help the American farmer. I

do not see any difference in principle between taking the taxpayers' money after it is paid into the Treasury to help this business or taking it out of the pocket of the taxpayer and paying it directly to the beneficiary, as we do with the tariff. I do not see any difference in principle. It is all the peoples' money. So far as I am concerned, if they can show me that it would put American agriculture on its feet by taking some money out of the Treasury by a direct appropriation if necessary, and I could be convinced that in a little while they could all be on their feet and would not need any more money out of the Treasury, I would vote for it very promptly.

Mr. HULL. I think we could be persuaded to adopt almost any plan of that kind as a temporary emergency relief measure.

Mr. KINCHELOE. If it is sound, of course.

Mr. HULL. Of course, the program of organization building which I have been discussing would not come under that idea of farm relief.

Mr. KINCHELOE. I understand. I realize that what I am asking you is not along the lines of what you have been talking about, but I just wanted to get your idea of it.

Mr. HULL. It is more the idea of cooperation, to help the farmer to build a business organization through which he can secure equality with other industries because of his own efficiency in operation.

Mr. KINCHELOE. That is all.

Mr. KETCHAM. Mr. Hull, in connection with the business that you conduct in Indiana I wanted to ask whether or not you try to follow a cash plan?

Mr. HULL. Yes, sir; strictly so. That is one reason why this credit feature is interesting at this time.

Mr. KETCHAM. If you did secure some assistance through the loan machinery that should be set up under this bill, would it be your policy to branch out at all on the credit side of it?

Mr. HULL. No, sir.

Mr. KETCHAM. You would still keep on the cash basis?

Mr. HULL. Yes, sir.

Mr. KETCHAM. That, of course, is one of the reasons why the local dealer has always had a place, because he was the man that had to carry the farmer along on a credit basis.

Mr. HULL. Yes.

Mr. KETCHAM. You believe that there is some advantage in having the whole business done, whether by local dealers or by your organization, upon a cash basis, if it can be done, do you not?

Mr. HULL. Yes; we do. We could cite numerous specific instances of what we mean by that. For instance, we know on all fertilizer in Indiana they pay right to start with a premium of 5 per cent for credit. That is for 60 days. In addition to that, they pay regular interest charges. In most cases it means that it is costing them about 13 per cent for 60 days credit. Multiply that by 60-day periods in the year, and you will have what the credit is costing them.

Mr. KETCHAM. Have you any notion that this credit machinery that we propose to set up here could come in to assist at that particular point, to save these men that expenditure of money? Could it be used through your organization, or could it be arranged in some way so that the individual farmer himself might avail himself through the intermediate credit banks?

Mr. HULL. So far as we have gone now with this thing, the only place that I see where this credit might affect our operations would be first for our own purchases. For instance, we buy in the fall large amounts of clover seed and carry it on over into the spring. If we want to enter into a production program we will need quite a large amount of money for that and for these local associations and county organizations for their operating capital, the same as any other merchant wishes, for just operating capital, to stock his goods, to carry these farm supplies.

Mr. KETCHAM. Then, you think that would answer the whole situation because yours is a strictly cooperative proposition and the profits you might make out of these additional funds with your increased capital would be reflected back through the cooperative principle, to the men who dealt with you?

Mr. HULL. Only to a certain extent. That individual out there—how we are going to take care of him is a step we have not gotten to yet. If that man is good for the time being I would say he is going to get his credit anyway, through his local bank, or some such arrangement.

Mr. KETCHAM. I did not mean that, but the advantage that would come through your getting the credit provided here would, in a sense, be reflected back because, in the course of your enlarged operations, in patronage dividends to your members.

Mr. HULL. Yes. Whatever advantage there is belongs to the men who are able to avail themselves of the service.

Mr. KETCHAM. But all you propose to do, all you desire, is that your organization itself shall be provided with some sort of credit facilities in this set-up in order that you might go into this production field and into the purchasing field to greater advantage to your membership?

Mr. HULL. Yes; there are three things. We just had our annual stockholders meeting. These counties came together the other day. This credit was one thing that they mentioned specifically in the resolution which they unanimously passed. The other thing was a larger degree of cooperation with the department here to carry on this educational work to show them how to operate these organizations, and the third thing is that they did pass a clause in that resolution suggesting that they think this line of service is of sufficient importance that it should be recognized in the creation of your farm board, with some one who is making a particular study of the cooperative buying movement on it.

Mr. KETCHAM. That is all.

Mr. LARSEN. In the question of cooperative buying, you would not advise the extension to anything except the purchase of fertilizers or the purchase of heavy machinery used in the production of crops, would you?

Mr. HULL. The policy as adopted by every large State cooperative at the present time does limit their operations to those things which enter into the production on the farm to a large extent. We are handling only such things as seed and fertilizer, binder twine, lubricating oil, gasoline, and kerosene that the farmer uses in his production.

Mr. LARSEN. You do not attempt, however, to supply all demands of the households on farms?

Mr. HULL. Our department has nothing to do at all with that work.

Mr. LARSEN. Were you ever familiar with the method of operation, particularly of the purchasing method, the cooperative buying method in vogue, and in use by the Farmers Alliance, some 40 or 50 years ago?

Mr. HULL. Somewhat. They did enter into chain-store operations, which we are religiously avoiding.

Mr. LARSEN. For a while, in certain localities, those seemed to operate successfully, but after all such stores were generally failures, were they not?

Mr. HULL. So far as I know, they were; yes.

Mr. LARSEN. Another difficulty of the system was that it created a friction between the local merchant and the cooperative association, did it not?

Mr. HULL. Yes.

Mr. LARSEN. And that resulted in the spread of propaganda which in many instances tended to the disorganization of the cooperative organization?

Mr. HULL. Yes.

Mr. ASWELL. Does he meet that same criticism?

Mr. LARSEN. We were speaking of general cooperative buying.

Mr. ASWELL. With reference to the question of feed—with reference to the question of buying feed?

Mr. HULL. Yes; we are handling feeds for our members, making them ourselves. There is a question as to the advisability, and that is the reason we are staying away from that program entirely. We are buying only those things that might be classed as raw materials for the production on the farm. There is no industry, no individual that can assail the reasonableness and the justice of that. There is no productive industry that goes into the retail market to buy their raw material. There is no industry that could survive that would do that thing. It is just a method of giving our people the advantage practically of wholesale markets as nearly as possible, give them the quality and price protection which comes with their own buying in large quantities.

Mr. LARSEN. I am in accord with your views but I am trying to show to what extent it can be practiced and put into practical operation and yet have no tendency to destroy the organization itself.

Mr. HULL. It is a very good point to develop and I am glad to make that explanation, that we are confining, in all of these matters and all of these States are, our operations to these major products which go into the production on the farm.

Mr. LARSEN. And in your judgment the danger that I pointed out as having overtaken organizations such as the Farmers' Alliance and perhaps others, was augmented by the very fact that they did go into general merchandising.

Mr. HULL. Undoubtedly that was one of the dangers. They may have been some other things that entered into it.

Mr. LARSEN. Would there be any difference, you think, in sparsely settled communities or organizations covering large territories where there were not generally speaking many members to the square mile—could you do that with the same degree of success in that kind of case?

Mr. HULL. Of course, you must have sufficient business to carry your overhead, but you will have the same advantage that the mercantile operator will have in that same locality, even in that case.

I think by the end of this year we will have at least 85 of the 92 counties in Indiana set up with these cooperative associations, taking over local elevators in some cases, and many of them are operating bulk gasoline and kerosene stations. I think Mr. Purnell's county formed one of those associations last Saturday, if I am not mistaken.

They are developing very rapidly, but I do think there are probably half a dozen counties in Indiana with reference to which it is going to be quite some time before they are in a position to enter that service.

Mr. LARSEN. What is the name of that system to which alluded?

Mr. HULL. The Rochdale plan.

Mr. LARSEN. Where and when did it originate?

Mr. HULL. 1884; Rochdale, England. It was started as a consumer's cooperative society among a bunch of weavers. They set up an institution there on the basis of a purely cooperative plan, where each and every member, regardless of his holdings in the company had but one vote. They sold at the regular price without trying to cut anything. We do not try to cut the price of fertilizer generally very much below what other people sell it at.

Mr. LARSEN. Then along in the early 80's, perhaps '86, '89, or along there, the method was introduced in America, in part at least, by the Farmers Alliance and other organizations of that day and time.

Mr. HULL. I think they adopted some of the principles of that plan, of that original idea; yes.

Mr. LARSEN. That is all.

Mr. MENGES. I listened to you very attentively this morning when you explained your methods. Do you think your operations could be so extended that it would give the farmer control of his entire agricultural operation?

Mr. HULL. No; I hope I did not make that statement.

Mr. MENGES. I know you did not make that statement, but I am asking you the question whether you think such a thing could be done.

Mr. HULL. I believe this. I believe that in the end this problem is going to be solved through farm organization. I believe that these local units that we are establishing will be the local units of any cooperative movement, both buying and selling, which is going to be developed in the future.

I believe that at the present time, one of the principal difficulties with the situation is the fact that we are expecting this farmer out here to be a soil expert. He is supposed to be an agronomist. He is supposed to be a livestock man. He is supposed to know how to breed and feed his livestock. He is supposed to be a mechanic who knows how to fix his tractor as well as the ordinary mechanic in a garage.

You are expecting him to be an executive who knows how to outline a program and carry it out. He is expected to be a merchant who knows how to sell his product. And he is expected to be a

buyer who knows how to buy properly the right kind of material at the right sort of price. That man can not do all of those things. You do not make that kind of man. But a system of this kind parcels out one of those duties to experts, specialists, who should be able to advise him and help him with his buying program. It is just one part of the problem that we are dealing with. It has nothing to do with these other operations.

Mr. MENGES. Pardon me, that is not answering my question.

Mr. HULL. I am not sure that I quite hear you.

Mr. MENGES. My question is this: First I asked you whether you thought by your system nationally adopted the farmer could get control of his agricultural operation in its entirety.

Mr. HULL. You mean a buying program?

Mr. MENGES. Buying and selling, and handling the whole thing.

Mr. HULL. I think this thing along with the other movements that are going on—I would not say this is going to cover it all; I did not mean to leave that impression.

Mr. MENGES. I am one of the fellows who thinks the farmer will have to get control of his operations.

Mr. HULL. Yes.

Mr. MENGES. Before any salvation can be worked out for him an agency must be inaugurated that will give him this control. That is what I believe. You advocated the Rochedale system.

Mr. HULL. Yes.

Mr. MENGES. The State of Indiana is as large as England; and if every agricultural operation in England were under the Rochedale system it would not be much larger than the farming operations in the State of Indiana. But here we have a Nation that extends from the Atlantic to the Pacific, many times larger than England, with an enormously diversified agriculture. Do you think your plan could be adapted to such an enormous proposition as that?

Mr. HULL. I think if I could answer you this way I would say I think this is going to take more than one line of effort for the farmer to get complete control of his operations. I think this is the method for him to follow out in getting control, so far as possible, of the purchase of his raw material. I think it must be coupled up with the selling cooperatives. That is quite a different problem. But a combination of them would be a proper method for the farmer to use to get control of his operations, working the two together.

Mr. MENGES. You about half believe it could be done, do you not?

Mr. HULL. Senator Watson asked me yesterday in a conversation, "Do you think the farmer can be organized so as to control his commercial relations?" That is a very pertinent question. I said I thought it could be done, but it is not going to be done immediately. We do not want to expect these things to come over night. It is going to be a long program.

One reason why we are interested and anxious now to see this particular program put through is that we would like to see the Government do as much of the work as possible, as they have been doing, in going to the farmers' institutes to help them and to educate them in the proper method.

I think what the Government can do outside of this little credit proposition that we have been talking about is along educational

lines, not to go out and organize them, but to show them how it can be done.

I am going to say I think it can be done.

Mr. MENGES. I am glad to hear you say that.

Mr. HULL. And I am not going to qualify that statement. It is a big job.

Mr. MENGES. I understand.

Mr. ANDRESEN. Mr. Hull, do you have any criticism from the implement dealers or from the oil dealers in your local community for selling the products in which they deal?

Mr. HULL. Certainly. We have a considerable amount of criticism, mostly by local men whose interests have been in some cases possibly injured a little bit by the operation of our association.

As to one county, Montgomery County, I might mention the fact that every tank-wagon driver in that county has been put off the road because of the operation of our association there. The Standard Oil Co. is not fighting us because we do not cut prices. We try to maintain the available level of the sales price, and whatever savings are made are returned to the producers at the end of the year. Because of that service, however, the thing is growing, with no contracts and no particular promotion effort. The thing is growing by leaps and bounds because of the service that has been rendered. One thing that has prevented them from buying in larger volume is a lack of cash.

Mr. ANDRESEN. You have filling stations in Indiana?

Mr. HULL. We have bulk plants. There was one organization that I mentioned who, the day before I left, called me and asked me to ship them a car of gasoline and a car of kerosene every three days until further notice. They distribute that among their tractor owners and among the farmers in Montgomery County.

Mr. ANDRESEN. You have an agent in each community, for each local organization, who maintains a store or warehouse?

Mr. HULL. Yes. Each county sets up and maintains a cooperative association and that association determines what the needs of the community may be. Some of them are manufacturing butter and some of them are taking in cream and selling it. Some of them are running elevators and handling grain. Most of them are taking our feed and fertilizers and supplies and distributing those among the farmers.

Mr. ANDRESEN. They take in your supplies, whatever they may be, and dispose of them?

Mr. HULL. Yes.

Mr. ANDRESEN. It is a sort of chain-store idea, is it not?

Mr. HULL. It has all the advantages of the chain store in that it has a large buying volume, or buying power, and it has the added advantage that the individual farmer is a partner in the business, an underwriting patron because of his partnership in the business. He owns that business.

Mr. ANDRESEN. Is the farmer required to contribute anything to the working capital of the organization?

Mr. HULL. It is the policy in most cases to return only a portion of the earnings back to the farmer in cash. The rest of the earnings are set aside in a reserve fund, for which the farmer is issued stock in the corporation.

Mr. ANDRESEN. Does he make any payment for his original membership?

Mr. HULL. No, Mr. Andresen; he does not. He goes into the organization in the beginning by loaning his credit on a bond form that is in use in most cases.

I am in favor of having the farmer put his money in in the beginning if it can be done, but there is a good deal of difficulty involved in going out and raising money among the farmers. So we have asked them to loan their credit, and we have thus found it possible to build these organizations. For instance, the organization in my own county has a \$31,000,000 investment in real estate and in machinery, in their production equipment, and that makes a pretty nice factory, with a \$31,000,000 industry in that county.

We went out to try to raise money to start one of these institutions and there was quite a sentiment for it. One-tenth of 1 per cent of their present investment in their production equipment would give them a big working capital, an adequate working capital to start with. But we could not get the money, so we went out to raise the money in this other way, by this other system.

That is one trouble with the whole industry. We must recognize that neither Henry Ford nor any other great industrial man running an industrial institution would put \$31,000,000 into a production plant and not balance it up properly with the right kind of merchandising methods for buying and selling.

Mr. ANDRESEN. As I understand you, you sell at the regular retail prices, the same as any other private merchant would sell.

Mr. HULL. Yes, sir.

Mr. ANDRESEN. Do you find there is any lack of loyalty on the part of the members of your association in that they go out and buy from individual private concerns that sell cheaper than you do?

Mr. HULL. There is some of that, of course. In most cases the incentive for buying elsewhere rather than buying from the association is the matter of cash rather than the matter of price. Of course, the fact that we sell for cash is a limiting factor.

Mr. ANDRESEN. You sell for cash only?

Mr. HULL. Yes.

Mr. ADKINS. If I understand you correctly, you want the authority of this board that would be set up made broad enough to enable them to help loan money to buying farm organizations. Do I understand your idea correctly?

Mr. HULL. That is one thing; yes.

Mr. ADKINS. I am in very close sympathy with your Rochdale plan because I have been a participant in it on the purchasing side for 26 years. This Rochdale idea was a consumers' proposition originally.

Mr. HULL. Yes, sir.

Mr. ADKINS. When I moved off the farm 10 years ago and went to Decatur I got a little taste of it on the consumers' side in connection with the oil proposition. We have just such an arrangement with 400 of our people in the city of Decatur, with this difference—that we have not taken away the incentive for individual initiative. We get our gasoline 3 cents a gallon cheaper than anybody else. If I live in Decatur 25 years longer we will have some more Rochdale ideas along some other line.

I am really on both sides of this question. We are here trying to work out a plan for relief for the farmer; in other words, for him to get more return for his products.

Do you not think it would be bad policy for us to take that same agency—that is, this board—eliminating, if you please, our organization in the oil business, and other similar farm organizations—do you think it would be quite the thing to authorize this board to extend credit and encouragement to a farm buying agency and deny it to a consumers' agency that is operating under the same plan? Do you think that would be quite a fair thing to do?

Mr. HULL. I am not objecting to their loaning money to any kind of a consumers' agency, whether it is a farmers' agency or anybody else, if they can properly operate.

I saw this same idea carried out in northern Indiana, in Elkhart and in La Porte, in Goshen, and other places, where the local merchants were about to be put out of business by a line of chain stores. They adopted our identical plan of putting in a purchasing department, and they got to buying their requirements in large quantities, and serving themselves on much the same basis, with the same idea that the chain stores had been following previously, and they pulled themselves out of a hole. The city of Goshen has no chain stores left, because the local people avail themselves of their buying power by concentrating their forces. Whether it is a consumers' proposition or not, I think does not matter.

Mr. ADKINS. Your organization is a sort of subsidiary of the local cooperatives in the country?

Mr. HULL. Yes.

Mr. ADKINS. They come up to this organization with their scheme of marketing this surplus and present it to this board and get their credit for their loans. That is the general idea.

Judging from my own practical experience and from what I have heard you say, I think it would be very highly improper to provide in this farm relief bill, which will provide for taking care of the marketing of the products of the farmer, a means to loan money to other agencies, consuming agencies—and you might as well say it—for merchandising commodities. I think it would be a highly improper thing to do. I think that question involves so much that if there is in contemplation any idea of doing that it ought to be done in a separate bill entirely. I do not think that ought to be injected into this farm-relief measure.

I am a part of an institution of the kind you are speaking of, and I have been an advocate of that sort of thing for a quarter of a century. But I see the other side of it as well.

We are interested in saving dollars for the consumer; he has the money to buy our commodities. But I think it is a wrong theory to undertake to extend this credit to an institution of this kind.

We have always hoped, of course, that the Rochdale idea, if it was worked out to its ultimate conclusion, would cure it. But as a matter of fact it does not do it; it is only one of the things.

They have about 32 farms over there that you spoke about, and out of a \$15,000,000 surplus, when their books were audited on April 1, 1922, although they controlled at that time all the various processing and distributing agencies, those 32 farms lost half a million dollars. That is why I do not think your point is well taken in seek-

ing to inject a cooperative idea here that should not be injected into this bill.

Mr. HULL. The only idea is this, that there is so very little that this work needs, that it would not amount to much. It only requires a very small change in the wording of the original McNary bill in three or four places, where there is outlined the sort of cooperative association that these funds will be available for. About the only thing that would need to be done would be to mention the fact that it would include cooperative associations engaged in the marketing of various products and the buying of farm supplies.

Mr. ADKINS. For the consumer or the farmer.

Mr. HULL. Yes.

Mr. HOPE. Following up further the question Mr. Adkins asked you, should there not be a distinction made between an organization of farmers who are buying the raw material and equipment with which they produce, and a general consumers' organization, which is merely buying the products which it consumes in other ways?

Mr. HULL. Possibly so. I had not given that any thought. But I am in favor of all sorts of consumers' cooperatives. I think there are places where if the Government can give assistance and wants to do so, it would be very well. Of course, our particular problem now is trying to get credit for these supply organizations for the farmers, and if we can get that I am willing to get behind the other people and help them, if it seems to be a solid thing.

Mr. HOPE. Is there not this difference? As you said a while ago, the farmer is not at this time in a position to furnish the capital necessary to carry on an organization of this kind, while the ordinary consumers' organizations composed of wage earners and others who are more prosperous than the farmer are in a position to furnish the capital and would not require any loans or other financial assistance; is that not true?

Mr. HULL. I presume there is some element of truth in that and that probably there are communities of laboring men where it might be convenient for them to have a credit of this kind. I think this is true, that the farmers are in a position out there where they can give thoroughly good backing by loaning their credit. In my county, where we have a \$31,000,000 investment, they did not have the cash to put into the movement. There might be another organization which would not have the collateral back of the institution sufficient to make it quite as safe a loan.

Mr. HOPE. Just what is relationship between your county organizations and your State association?

Mr. HULL. They own it entirely. I gave you that picture, as it is shown on this map [indicating map]. Those blue counties are the ones that have incorporated cooperative associations, incorporated under the Indiana cooperative marketing law. They own the assets and the capital stock of our department.

They are in turn owned by the individual members that control their operations; and then these counties, as individual counties—there are no individuals that own any common stock in our corporation; the voting stock can not be held by individuals; that is, the common stock. Anyone could own the preferred stock. But these counties own the entire holdings of the centralized department.

Then the people in the counties get together and decide on policies and decide on a program for their wholesale department.

Mr. HOPE. How large is the membership in your individual counties?

Mr. HULL. Take Montgomery County, the one I mentioned a few minutes ago. They have about 1,300 members. I think that is the county with the largest membership. Then we have some that only have a few members. I expect there will be an average of six or seven hundred people who are patronizing the department. I think we are serving seventy-five or eighty thousand farmers in the State now.

Mr. HOPE. What percentage, generally, of the farmers in those counties belong to the organization?

Mr. HULL. It depends largely on how long the cooperative association has been operating in the county. In Montgomery County the membership has been built up to 1,300 because they have been in operation there four or five years. We have a number of counties that are just starting, and they have only a very few members.

One reason why the organization is so much interested in this line of work is because it appears that this service program is the thing that is building up the organization and, of course, the organization in turn is advocating building up the service program. They are helping each other.

Mr. HOPE. In your local organization you have a salaried manager and a clerical force to carry on the business, I suppose.

Mr. HULL. Yes.

Mr. HOPE. Are the salaries and the personnel in those local organizations determined by your State headquarters, or do your local units take of that?

Mr. HULL. That is taken care of by the local people entirely. They tell the State what to do instead of the State telling them what to do. We have no authority except in an advisory way over our county units. They own the stock in the purchasing department.

Mr. BRIGHAM. I understood you to say this morning that your organization does not cut prices.

Mr. HULL. That statement possibly needs a little qualification. We did reduce the prices of some things, but we do not try to sell on a cost basis. We have to follow in general, on most things, about the prevailing price, charging what we think the things ought to sell for with a fair margin.

Mr. BRIGHAM. At the prevailing retail prices in the various communities?

Mr. HULL. Yes. There are exceptions to that. I mentioned one or two. Those are cases where we reduced the prices, and after they were reduced we sold at the same prices, in most cases, that our competitors sold them at.

Mr. BRIGHAM. And the saving to the purchaser comes through a patronage dividend?

Mr. HULL. That is the visible saving; let us put it that way. But there is this also to be considered, that nobody is going to undertake to sell these things in Indiana at an outrageous price; that is, the things we are handling.

Mr. BRIGHAM. What is the amount of the patronage dividend?

Mr. HULL. On fertilizer it has averaged about 8 per cent of the entire saving, and he also gets the advantage of a 5 per cent discount, and some of the other things that go with the business.

Mr. BRIGHAM. What is the dividend on farm machinery?

Mr. HULL. On the cultipacker—and we made a mistake in the handling of the cultipacker because we did not put enough of a price on it. We cut the price immediately from \$95 down to \$60, and we did not have enough of a price to return any dividend on that last year. I think we will have a little one this year.

Mr. BRIGHAM. In reference to farm machinery in general, could you give us an idea of what the average dividend amounts to?

Mr. HULL. We will not handle a full line of farm machinery until we have the local units perfected over the State to a point where they put a man into take care of the service program.

Mr. BRIGHAM. Can you give us an estimate as to how much your patronage dividend has been on such machinery as you have handled?

Mr. HULL. We just handled it last year and we did not make any last year.

Mr. BRIGHAM. What is the patronage dividend on gasoline?

Mr. HULL. That amounts to returning in cash about a cent a gallon and paying for their equipment. They put in their own bulk plants and storage tanks. They bought and paid for their equipment and other expenses, and after selling at the regular price returned about a cent a gallon in the counties where they have been operating.

Mr. ASWELL. You seem to be doing so well in Indiana that it is not quite clear to me what this corporation can do to help you, except to loan you money. Is that not about all it can do?

Mr. HULL. There are three things that I undertook to mention. If we can get some of the funds of the intermediate credit association—

Mr. ASWELL (interposing). That would not be provided for in this bill.

Mr. HULL. Just a few words in the bill; that is all you need to add.

I would like to see also a strong extension of the educational program. You could let the cooperative marketing division make investigations and research and carry that program out to these various units.

Mr. ASWELL. We created that cooperative marketing division in the department for that purpose. They ought to be glad to do that.

Mr. HULL. They are.

Mr. ASWELL. What do you want us to do in this bill?

Mr. HULL. I do not think this bill needs to take that into consideration. I mention that as a part of the cooperation they are very anxious to give.

Mr. ASWELL. We gave you a liberal amount of money for that purpose. Why do they not help you?

Mr. HULL. They do. Then along with these other things, as I think I said, the third thing that ought to be kept in mind is to give recognition to this line of service, in the creation of the board, along with the representatives of the other commodity groups.

Mr. ASWELL. How will this board do those things?

Mr. HULL. I would think there ought to be at least one member of the Federal farm board who would be particularly interested in studying a buying program and reporting to the members and see-

ing that any need of that service would be brought before them for adequate consideration.

Mr. ASWELL. You said this morning that this farm problem could not be worked out and solved by the time of the next election.

Mr. HULL. Yes.

Mr. ASWELL. And you think the Republicans ought to have another four years to try to work it out and run it?

Mr. HULL. I think undoubtedly—

Mr. FORT. Mr. Hull, I am very sorry I was unable to get back here this afternoon when you began your statement. There are two or three things I want to ask you, and it may be that they have already been covered.

First, as to the financial strength of your plan, as a basis for loans; you would borrow only for the purpose of buying goods, as I understand it?

Mr. HULL. Yes.

Mr. FORT. Would you offer to the Federal farm board, before you made loans, your goods or your sales contracts for the goods, as collateral?

Mr. HULL. As far as possible.

Mr. FORT. Do you sell on time, or for cash?

Mr. HULL. Everything is sold for cash.

Mr. FORT. So that really all that you would need to borrow would be a sum of money needed to carry your seasonal purchases of seed, from fall to spring, for instance?

Mr. HULL. Yes.

Mr. FORT. Can you pretty well insure your market before you buy? Do you do that?

Mr. HULL. Yes; to a large extent that would be true.

Mr. FORT. That loan then ought to be quite as good as any loan of money to any producing cooperative?

Mr. HULL. Yes.

Mr. FORT. What percentage of your business does your overhead amount to?

Mr. HULL. In our corporation at the present time we operated last year for less than 3 per cent.

Mr. FORT. Of your gross sales?

Mr. HULL. Of our gross sales; yes.

Mr. FORT. Do you sell to nonmembers of your cooperatives as well as to members?

Mr. HULL. Yes; we do; but it is our plan at the present time to make all of them members, in this way: As they patronize the organization, instead of returning their earnings, their dividends, back to them in cash, our plan is to make them members and give them shares of stock—make them stockholders.

Mr. FORT. Give them a patronage dividend?

Mr. HULL. Yes.

Mr. FORT. Of course, if you do sell to them at the ordinary market price, buying at these reduced prices as you do, it would be very profitable to the members of the cooperative if you dealt with nonmembers, would it not?

Mr. HULL. Yes.

Mr. FORT. And would increase their patronage dividend. Do you tie into the producing cooperatives? Are your members the same?

Mr. HULL. Not particularly so. But in the case of the local organization, instead of returning their earnings, their dividends, counties, I think their by-laws give them the right, or they are so incorporated that they can either buy or sell. In many places they are buying the member's cream and other things and they are selling him back supplies of feed, fertilizer, twine, and so forth.

Mr. FORT. But you are not utilizing it, the way you are operating it in Indiana, as an inducement to a man to join a general cooperative-marketing association?

Mr. HULL. Of course, our organization is a big organization, but we are in very close relationship with the smaller organizations.

Mr. FORT. You do not make it necessary for a man to be a member of both in order to be a member of one?

Mr. HULL. No.

Mr. FORT. Would it or would it not tend, in your judgment, to the strengthening of the general cooperative movement if this plan were operated so that a man could only make these savings on purchases if he also was a member of a marketing cooperative?

Mr. HULL. Well, I do not know that I am qualified to answer that question intelligently. I hardly think it would be practical at the present time, although it might be worked out.

Mr. FORT. We are trying to find inducements to get men into the cooperative marketing associations.

Mr. HULL. It might help to get them to sign those contracts. Of course, we have no contracts. Our business supports itself by the merit of the service it is giving.

Mr. FORT. Do you see any difference in principle between our assisting the cooperative buying agency with loans in order to induce farmers to cooperate generally, and our assisting the farmers' marketing organizations with loans in order to induce them to cooperate?

Mr. HULL. I do not. I can see no reason for doing one and not doing the other.

Mr. FORT. In this form of Government assistance, there is no reason why we should treat the farmer as a seller differently from the way we treat the manufacturer as a seller or treating him differently as a buyer from the way in which we treat ordinary buyers?

Mr. HULL. I see what you are getting at. I suppose it is true that we are giving the manufacturer certain protection in the sale of his products; that we are not giving him any particular assistance in the buying of his raw material. As a matter of fact, anything that we are asking for here is of no particular service except possibly educational service, but the loan is to be made on perfectly good collateral, and with the expectation that it will be paid back.

Mr. FORT. My point is this: As I understand it, we are proceeding with the consideration of legislation to make available liberal funds to farmers' organizations because we believe that the 6,000,000 farmers in the country can not initially supply the capital themselves.

Mr. HULL. Yes.

Mr. FORT. And that in that respect they differ from other groups in the community.

Mr. HULL. Yes, sir.

Mr. FORT. There is nothing in the furnishing of money to a buying agency that differentiates it from supplying it to a marketing agency, is there?

Mr. HULL. I do not think so.

Mr. FORT. If we did it in one case we should do it in both?

Mr. HULL. Yes, sir.

Mr. JONES. I would like to ask you if you have any limitation as to the membership of your organization. Is your membership limited to farmers, or do you take any one that wants to come in?

Mr. HULL. It must be a producer of agricultural products.

Mr. JONES. Everybody in Indiana can not join if he wants to, then?

Mr. HULL. Every farmer can become a member.

Mr. JONES. Suppose a man is engaged partly in farming and partly in some other business.

Mr. HULL. He would be a producer of agricultural crops.

Mr. JONES. That is, if he is an actual producer of agricultural products, he may become a member.

Mr. HULL. Yes, sir.

Mr. JONES. Do you permit a man who lives in town and who owns a farm which he does not operate himself to become a member?

Mr. HULL. Yes, sir. For instance, we have the Aetna Life Insurance Co., the Lincoln Life Insurance Co., and the State of Indiana as members. The State of Indian, which operates a State farm, is served as to its fertilizer requirements. They have become members of the organization and they are receiving their refunds just the same as the other farmers.

Mr. JONES. Is that because they are actually interested in farming?

Mr. HULL. Yes, sir.

Mr. JONES. Or in production.

Mr. HULL. Yes, sir.

Mr. JONES. If they are interested in farming in that way they may become members.

Mr. HULL. Yes, sir.

Mr. JONES. How did it happen that a life-insurance agency could become a member of the organization?

Mr. HULL. The Aetna Life Insurance Co. is operating 530 farms in Indiana that they have secured against their will.

Mr. JONES. Have they been victims of the farm problem?

Mr. HULL. That situation is not supposed to be discussed.

Mr. FULMER. I want to say to you, Mr. Hull, that I agree with you in your statement, and, perhaps, I am in a position to appreciate what you have said about this selling end of it more than some of my colleagues, because I used to be engaged in a general mercantile business, where I bought everything the farmers had to sell, and sold them everything they needed to buy in that community. Did I understand you to say that your operation was confined to cooperatives in the State of Indiana, or can any individual farmer, who wants to do so, buy from you?

Mr. HULL. We serve everyone.

Mr. FULMER. Regardless of whether they are members of cooperatives?

Mr. HULL. We make refunds to our members. The members of our State association are those local organizations. They are county organizations, and the Aetna Life Insurance Co. holds a membership in one of our county organizations.

Mr. FULMER. I want to say that I believe this scheme is one that would enthruse the farmers to come into the organization, because of the tremendous saving by bringing about bargaining power in buying as well as selling in the various organizations, having it all hooked up together. For instance, I used to buy farm implements from the International Harvester Co., and had to sign a contract covering the cash price and time price to me as well as the cash price and the time price that I had to sell their implements to the farmers for. Now, under this scheme, you would be able to get those profits that I used to get under the contract between myself and the International Harvester people for implements sold my customers.

Mr. HULL. A certain portion of it; yes, sir.

Mr. FULMER. I find in all my dealings with farmers that the great trouble they have to contend with to-day, and that has brought about much of this condition, is because of selling their products individually and buying what they have to have individually.

Mr. HULL. Yes, sir.

Mr. FULMER. I believe that is all.

Mr. HOUSTON. When you sell to a person who is not an agricultural producer, you can not return to him, of course, any participation dividends. Does that go into your profits?

Mr. HULL. Your question is rather an impossible one, because we only sell things that go into agricultural production.

Mr. HOUSTON. You sell gasoline.

Mr. HULL. Yes, sir.

Mr. HOUSTON. Anyone can buy gasoline at your stations, and I presume the 1 cent per gallon return you have remains in your funds at the end of the year as an extra realization.

Mr. HULL. Of course, you have to take into consideration the local conditions. I do not know of very many people that we are serving with gasoline except farmers. We run tank wagons out through the country but do not make a practice of selling gasoline in the towns

STATEMENT OF GRAY SILVER, VICE PRESIDENT OF THE FEDERATED FRUIT AND VEGETABLE GROWERS

Mr. SILVER. Mr. Chairman, I am speaking as the vice president of the Federated Fruit and Vegetable Growers. So far as I know, I am the only one present to speak generally for the great fruit and vegetable industry, which has an annual output of more than \$2,000,000,000.

The CHAIRMAN. What is that business?

Mr. SILVER. The business of the Federated Fruit and Vegetable Growers. I shall confine my remarks to two phases of the question. I am of the opinion that there is no one place where you can solve the agricultural problem. I am confining my discussion to two phases that have to do with distribution, although there are other things involved. The first phase is that of credit on a basis that will enable farmers through their cooperatives to acquire a sys-

tem of assembling points, or assembling places, with warehouses from the point of origin to and including the terminals, and including the sales service, expressed in such language that the farmer at the country crossroads, because that is where he lives and produces, will know on what basis credits for this purpose may be had.

It would be futile to provide credits in the hands of a board here that the farmers from the crossroads generally would have to come here to secure; but if it is made so that the people staying at home or meeting at the crossroads can at that time determine what they may or may not do, and can act in accordance therewith, it will be effective, and they will provide themselves with the facilities. As for collateral for credits, there is only one collateral that agriculture generally can furnish and that collateral is the marketing contract. The marketing contract of the producer is the only collateral that the farmers at their meeting places can supply. If other collateral is required, as, for instance, a cash payment at the beginning, it tends to prevent the adaption and the adoption of the system. This marketing contract, in addition to being the only thing that the farmer can supply, is a thing that carries his entire equity in the products. Unless this marketing contract can be accepted, the farmer will remain at the mercy of the conditions which now exist.

In addition to accepting it as collateral, loans must be made on such a basis that they may be amortized. In other words, a charge upon each unit of the commodity passing through the facilities, over such a period of time, may be needed for retiring the loan. If and when the system, such as I suggest as to facilities, is established—and it can be established at any time the credits are made available—then I would suggest that a step be made that will compel the flow of the goods through that channel, which is such an instrumentality as we now use in relation to our transportation system and which is administered by the Interstate Commerce Commission. It is just such a system as we have now in the credit system that is administered by the Federal reserve system. It is a chain system, if you please. Just as we have clothed the gas commodity, or the commodity of electricity, as well as the vehicles which distribute them, with a public interest, designating the channels through which they must flow, I would clothe the farmers' production in distribution not in the production but in the distribution with that same public interest, designating, through a board, perhaps, to be set up, or some other agency that Congress might see fit to name, the channel through which those goods shall flow, and no other.

It would make a chain system in distribution of the farm commodities, along commodity lines, which would enable the farmers, through their cooperatives, to control the flow of the goods, both as to volume and as to maintenance of price levels, because there would be no other source, outside of this system, to destroy or break their market. It would be an exclusive system, except at the point of origin. It would not at all interfere with what they did there. It would be the same as it is at the point of production, and in that respect I would liken it to a waterfall: Every bit of soil absorbs so much moisture, and when rain comes it absorbs moisture until it is saturated. Then the surplus is drained away in rivulets, creeks, brooks, rivers, and is finally consumed in the sea. Every bit of soil

in some place, or at the farmer's place, is producing some product, and at every place it is produced there is some consumed. Now, what is consumed at that point need not go into that system, but only what needs to be drained away would need to go into that cooperative system, and it would go in there under the control of the farmers' cooperatives. It would be directed by some governmental board, just as is employed in transportation lines, banks, etc. It would be just the same kind of urge.

It would not in any sense be putting the Government in business any more than it may now be in business in the case of these other activities, and, at the same time, it would be effective in giving control of the flow of goods, and of the entire volume of goods, into the hands of the cooperatives. Then, if there should be a surplus or a safety carry-over, it would be taken care of. To illustrate the point, we might have 100,000,000 bushels of wheat to carry over. As it is now, it is carried over at the terminal, and is often used to depress the price of the harvest wheat. Instead of that, under this system I am proposing, it would be under the control of the farmers, in their granaries. It might be in the hands of 1,000,000 farmers, holding 100 bushels each. Then, it could not be used in that way to depress the price of the incoming crop. It would be a chain, and in addition to the other illustration, it might be likened to the present chain system of distribution in our retail stores. We have chains of retail stores carrying goods along, and some of them have manufacturing plants. One of them I know has three packing plants and another one has 11 bakeries. To those chains the commodities are carried along to the consumer. This plan would put the farmer in the same position. With a like system of chain distribution he would have in his hands a means that would enable him to negotiate market levels and to maintain them.

There would be no danger of the plague of a surplus, for, if need be, all the surplus nonperishables could be carried over into another crop. During that time they would be cooperatively carried, of which cooperatives the farmers are members. Their attention could be called to the fact that in their granaries or warehouses nearby there was a surplus from the preceding crop. They would know that if they did not adjust their crop to the market demands they might become a liability instead of an asset. If they had that knowledge, adjustments could be made from year to year. They will know that this matter of production and consumption is not one of years but is one of cycles of years, because society is not fed by a calendar year's production or by annual production, but by cycles of years of production. By controlling the flow of his goods through this channel, the farmer would have an opportunity to make that adjustment.

Now, I have in mind as to credits this thought: The best system I have seen for the basis of credit is contained in the so-called Bowman bill, No. 13173, and this viewpoint was discussed, as some of you will remember, when you passed the Capper-Volstead bill, so called. In that bill you set out to give proper protection through a system of this kind, through which the farmers might be able to exploit the consumer. A remedy for that situation has been enacted into law. That was done some eight years hence. It was testified to

as the original farm bureau plan. That condition was remedied, so far as the consumer was concerned.

The desirable thing now is to put into the hands of the farmer the tools necessary to accomplish these purposes. Now, just why so small a commodity as gas should be invested with a public interest, and yet so vital a thing as foodstuffs should not be, is something that is still beyond my understanding. I could give you another illustration of that: Any of us can produce gas or electricity to any extent we require for our own use, but the moment we attempt to serve one of our neighbors, or any other customer, the State steps in and says, "That is contrary to public interest," and they prevent us from serving our neighbor with gas or electricity unless we have secured a license or a permit for doing so. They do not grant those permits in competition. They apply that public-interest principle and compel the distribution of gas and electricity through the channel that has been selected for such distribution. In designating the system, in contradistinction to what we call the stabilization corporation, unless you have in mind to speak of the corporation as co-extensive with the system of handling the commodity, I would suggest that the stabilization system be an exclusive system from the point of origin to the point where the price levels are negotiated, and made for the units for which stabilization is provided.

Now, this would not in anywise destroy the usefulness of any existing facility used for the purposes that have been here generally referred to, but it would organize them into units in distribution channels, along commodity lines, permitting them to perform their normal functions of warehousing, preparing, processing, loading, unloading, and so forth, upon approved charges, reserving, however, to the cooperative organizations the right by law and the strength by virtue of commodity control to negotiate market levels before delivery. It would change the basis of return in some instances. Those which are not now on a basis that would return the benefits of distribution to the farmer, and thereby increase the farm income, would, of course, be placed on that basis by the very force of the direction board when it directed the goods to flow through those channels. Either the farmers could take them over by purchase or lease, or the system could be used as railroad cars are used. Many of these credit associations provide railroad cars, and they are paid for in rentals. In other words, they are amortized during their life.

I think, Mr. Chairman and gentlemen of the committee, that is briefly what I have to say.

Mr. KINCHELOE. You say that the only collateral you would have would be the producer's contract or marketing contract.

Mr. SILVER. In many places, that is the only thing I would require.

Mr. KINCHELOE. Are you now referring to nonperishable products or to all products?

Mr. SILVER. I am thinking in terms of providing the warehouse system for the cooperative associations.

Mr. KINCHELOE. At the same time, the collateral in the way of nonperishable products would be a better security than perishable products, would it not?

Mr. SILVER. I do not know that it would. I understand very well that there may be perishable goods that can not be carried along from year to year, as nonperishable products can be, but, on the

other hand, the basis of the credit would be on the flow, as the facilities would permit, and, in doing so, you would have adequate collateral because you would have a crop coming next year, and that contract would be for all the period of time commensurate with the time in which the credit might be needed.

Mr. KINCHELOE. But you can not mortgage a crop as collateral that has not been raised.

Mr. SILVER. That is being done.

Mr. KINCHELOE. I did not know that.

Mr. SILVER. The Federal reserve system has underwritten acceptances on cotton not planted.

Mr. KINCHELOE. That is true. The contract is based on the stuff he is raising.

Mr. SILVER. That is all that is behind it anyhow.

Mr. KINCHELOE. When it comes to financing a loan is it not a great deal safer if the produce the farmer is raising is nonperishable rather than perishable?

Mr. SILVER. I am not sure of that. I am not unmindful of the margin on which there may be a loss, but there is a margin of loss on both.

Mr. KINCHELOE. Is not your whole production of perishables likely to be lost if they are not moved in time?

Mr. SILVER. No, sir. Of course, a whole shipment of apples or of tomatoes might be lost, but we have a marketing contract that would cover the whole crop, and there is no time when the major part of it will be lost.

Mr. KINCHELOE. I understood you to say awhile ago that this system would cover the products that are not consumed at home.

Mr. SILVER. Yes, sir.

Mr. KINCHELOE. And you say that if this surplus wheat, or other product, is left in the farmer's hands, instead of being at some central plant, it would not depress the market.

Mr. SILVER. That is true.

Mr. KINCHELOE. Why?

Mr. SILVER. Because it is not available for delivery by speculators. They can not use it to depress the market, and the farmer can protect himself.

Mr. KINCHELOE. If there is a surplus of 150,000,000 bushels of wheat at the time of the new harvest, why would they pay more for the incoming wheat because of the fact that the surplus wheat is stored in the farmers' granaries rather than at some central point?

Mr. SILVER. Under the present system that would be a central point, where it would be ready for immediate delivery but under our system it could only be brought out through a chain system of distribution, and it would not be offered in competition with the other crop.

Mr. KINCHELOE. The only difference between having it stored at a central point in a warehouse and in having it in the farmer's granary is a matter of transportation, is it not?

Mr. SILVER. It is a question of the ease and cheapness of carrying it.

Mr. KINCHELOE. Assembling and transporting it.

Mr. SILVER. Yes, sir. Since 1922 the farm warehouse, I think, has been made a part of the United States warehouse system, where

the commodities can be accepted and warehouse receipts issued against them at the point of origin.

Mr. KINCHELOE. Do you think that if we should pass the McNary bill and provide a loan system, it would solve the problem?

Mr. SILVER. I have not said that. I think that in addition to the needed credits, which I referred to—

Mr. KINCHELOE (interposing). That is what the McNary bill provides for.

Mr. SILVER. I wish you would carefully study the language of the marketing contract. It might mean there is a difference.

Mr. KINCHELOE. What other features of the bill would you indorse besides the credit feature?

Mr. SILVER. I would clothe it with a public interest and designate this channel.

Mr. KINCHELOE. That would come about through a system of cooperative marketing, would it not?

Mr. SILVER. It would be cooperative marketing, but you would need a governmental designation, or a clothing of it by governmental authority with a public interest.

Mr. KINCHELOE. Would you want this board to designate the channel or would you want the cooperatives to do that?

Mr. SILVER. The board would have to designate the channel, and the cooperatives would operate it.

Mr. KINCHELOE. You think the board should designate the channel?

Mr. SILVER. I do not mean that it would specifically designate the elevator, but it would designate the system, and provide that it might be clothed with a public interest, to be handled through the channel that is desired.

Mr. KINCHELOE. In other words, if the board set up a channel, the cooperative would have to agree to use the channel before it could get the loan?

Mr. SILVER. You are right from one viewpoint, but not from another. This board would designate the channel which would return the benefits back to the producer, and in that way would build up the farmers' income. There would be no competition in that kind of system.

Mr. KINCHELOE. It would be a method of doing business rather than a commodity channel.

Mr. SILVER. Yes. In other words, it provides the channel and confines the flow of the goods to that channel.

Mr. JONES. You made a surprising statement to me with reference to designating the channel and clothing the farm commodity with a public interest. I presume the farmer would have to clear his goods through that channel, and through no other channel.

Mr. SILVER. That is correct.

Mr. JONES. Mr Hope and I are neighbors, for instance, in the production of wheat, but I get my wheat on the market first. If he did not get his there in time, it would be left on his hands, would it not?

Mr. SILVER. No, sir; he would get the benefit of the channel just the same.

Mr. JONES. But suppose there were no demand for the wheat of both of us.

Mr. SILVER. I said if there was a carry-over—

Mr. JONES (interposing). His wheat would have to be carried over, perhaps, because I had put my wheat on the market.

Mr. SILVER. No, sir.

Mr. JONES. My wheat matures about 15 days earlier than his, and I can beat him to the market.

Mr. SILVER. You could beat him to the market if it were not for the fact that you have the equation of this system that would return to both of you alike.

Mr. JONES. You would give each one his part of the amount of wheat that flowed through the channel.

Mr. SILVER. Yes, sir. It would be a regular cooperative system procedure. Both of you would get your return in the channel return when the total amount was sold.

Mr. JONES. So that if one farmer had a thousand bushels of wheat left in his granery, because the channel could not be used for it, it would be distributed over the whole ownership.

Mr. SILVER. Yes, sir.

Mr. JONES. If you clothed it with a public interest, you would, thereby, give it all the essentials of a public utility, would you not?

Mr. SILVER. So far as distribution is concerned; yes, sir.

Mr. JONES. If it is given that kind of status, what would prevent those who are interested in that thing, as a public interest, from fixing the price?

Mr. SILVER. By the very law by which you clothed it with a public interest, because you would provide for this system as being the system through which it must flow. It would be by virtue of the fact that it is a nonprofit organization, and there would be no outsider to sit in.

Mr. JONES. But when you clothe it with a public interest, then the public has a right to exercise the right of fixing the price, and there are about three consumers in this country to one producer. Now if they have the right to fix the price, might they not exercise it?

Mr. SILVER. The public has the right, after the price has been fixed, to protest if it seems to be unfair. Then you would have a hearing on all the elements of cost, maintenance, and other things that enter into it, and if the producer is shown not to be entitled to the profit he is receiving, then the price could be reduced. The farm group would name the price in the first instance, according to the Capper-Volstead law, and until a protest was made that it was an unfair price, that price would stand. When it was shown that it was an unfair price, the Secretary of Agriculture would proceed to act, or he would then notify the farm group to cease and desist.

Mr. JONES. You would not fear the danger of an unfairly low price in view of the elements of cost that could be shown?

Mr. SILVER. I would not fear it a bit. I would be delighted if we could go out and show the cost, and have the Government agency stand up and say, "You are entitled to that price." That, I think, would be very helpful. That is what they say in the case of gas and electricity.

Mr. JONES. Let me ask one other question along the line suggested by Mr. Kincheloe: Suppose here is a miller or a man who has been engaged in the storage of wheat, and who comes to the conclusion that there is a shortage in the wheat crop this year: Then suppose he goes to this channel and says, "I want 150,000 bushels of wheat or 500,000 bushels of wheat," and he buys it and starts out on the theory that wheat will advance in price: How would you keep him from doing that?

Mr. SILVER. There would be no way and no desire to keep anybody from buying that which he wants for himself; but if he were a speculator—as you intimated; you did not say it—

Mr. JONES. That is what I meant, exactly.

Mr. SILVER. If he were a speculator, and were buying to resell again, he would not come back into the speculative channel except on the basis of others, because he would be bound by the law requiring the use of this channel in the same manner as anybody else.

Mr. JONES. He could ship it out of the country, could he not?

Mr. SILVER. I think that he would be bound by the laws of this country until he did get out; and if he could not get to the water's edge, he could not get out.

Mr. JONES. He would not have any opportunity of getting back into the channel until the channel had used up all that the farmers possessed?

Mr. SILVER. Until he had made terms with that channel and he had no other outlet.

Mr. JONES. That is all.

Mr. FORT. Following Mr. Jones's questions, Mr. Silver, do you feel that we have gone far enough, as a committee, or could go far enough between now and the 15th of April, into the desirability of attempting to define agricultural products as products clothed with a public interest, so that we ought to consider that type of legislation at this special session?

Mr. SILVER. I am of the opinion, if this committee does not have in mind just that part, that there is abundance of talent working with the application of public interest to other activities that you could call in and in a fortnight's time amply prepare a satisfactory bill.

Mr. FORT. What I mean is that we have no guiding hand in any past discussion of this question. We have no knowledge as to the repercussions that might result on the farming or other communities, and there are grave constitutional questions as to whether we can put other men out of business by an arbitrary act. Do you feel seriously that we ought to consider such a plan for adoption by the Congress of the United States on its first presentation here, within two or three weeks after we hear about it?

Mr. SILVER. That, of course, is in the first instance a matter which your committee will have to decide. But so far as my mind goes, I know no reason why it should be thought of in terms of a new proposal. In the first place, it was testified to in 1920. It is not new as a proposal here, nor is it new as a proposal on any other activity except agriculture. For credits, transportation, whether it be railways or boats or bus lines, whether it be any of these other activities, it is a well-established system by our Government in aiding groups in

trouble. I know of no reason to hesitate about it because it is proposed to bring agriculture into that category.

Mr. FORT. If you do make it subject to a public interest, and therefore price regulation, would not each individual producer of this commodity have to show his own individual cost and his own percentage of profit?

Mr. SILVER. It just depends on the law that you draw.

Mr. FORT. You do that with every other one of these other things, do you not?

Mr. SILVER. No; I beg your pardon; we do not. We are grouping great railway systems here, and we are permitting those systems to consolidate, although they were separate corporations before; and we are taking the collective organization under the present law—

Mr. FORT (interposing). We are bringing it into one ownership?

Mr. SILVER. Not into one ownership; because your security holders or the units which hold the capital are widely distributed.

Mr. FORT. I know; but in one corporation?

Mr. SILVER. Oh, yes; your corporation. Now, through your corporation you bring it into one ownership, because the goods are in one ownership, if you give that application to it.

Mr. FORT. That is all.

Mr. ANDRESEN. Did I understand you, Mr. Silver, to state that a farmer could borrow money from the intermediate credit bank if he has his grain stored upon his farm, in his granary, if it is inspected by the Government?

Mr. SILVER. Yes, sir; whether it is hay, grain, or whatever other commodity it may be, when it is inspected and approved.

Mr. ANDRESEN. Do you believe that there should be an extension of the warehouses and terminal facilities throughout the country, so far as grain is concerned?

Mr. SILVER. Let me say this on that point: I believe that should be an extension so far as they are operating on the cooperative basis. Now, I think, so far as the total warehouse plan is concerned, that there is adequate terminal-warehouse storage. In fact, my information is that it has never all been used at any one time. Some use it at one time and some at another.

Mr. ANDRESEN. Have you heard the proposal of the Clarke warehouse amendment, providing additional warehouse facilities?

Mr. SILVER. I have heard it mentioned. I have not read the bill.

Mr. ANDRESEN. That is all.

Mr. CLARKE. You now have the author before you:

Mr. SILVER. I salute the gentleman.

Mr. CLARKE. In addition to the readjustment of the tariff upon our farm products, I point you to a map of the United States, prepared in the Department of Agriculture, by counties, showing Government-supervised warehouses now in existence, and particularly call your attention to the nation-wide application of the warehouse act and the diversification of farm products—grain, cotton, tobacco, canned goods, beans, and so forth. Now, I want to ask you just this one question: Why is it not possible to enlarge this warehouse act so that we can assemble the different farm commodities in different geographical areas and feed them into the market under a farm board?

Mr. SILVER. It should be done.

Mr. CLARKE. And why is it not possible to give to the farmers who produce these agricultural commodities credits through the intermediate credit banks?

Mr. SILVER. It can be done. And may I say this: The farm loan bill amends the farm-loan system on the intermediate credit side, and while whatever bill you may pass as a general farm relief bill will carry the credits, I presume—and I think it should—you should also, at the same time and in the same bill, amend the farm-loan system so that these farm credits will become a part of the permanent credit system of the Nation.

Mr. CLARKE. Then why is not also the elaboration or the development of this warehouse idea, Government supervised, the answer that the farmer has now to the fact that he borrows on an annual crop and has his crop forced upon the market at the time he harvests it—adequate credits and ample warehouse facilities?

Mr. SILVER. That is certainly essential in any system of marketing that is going to avoid the gluts of dumping at harvest time.

Mr. CLARKE. That is all. I thank you.

Mr. BRIGHAM. Mr. Silver, am I to understand that you would advocate that this Federal farm board be clothed with about the same authority with respect to agriculture that the Interstate Commerce Commission is with respect to railroads?

Mr. SILVER. Or the Federal Reserve Board or any of those bodies that control these general units that are needed in the business.

Mr. BRIGHAM. And you would delegate the same authority to this board with respect to agriculture that the Interstate Commerce Commission has over railroads?

Mr. SILVER. Yes, sir; agriculture in distribution.

Mr. BRIGHAM. But not in production?

Mr. SILVER. But not in the producing; in the distribution.

Mr. BRIGHAM. And you would give this board the power to fix the price?

Mr. SILVER. That part has already been provided in the Capper-Volstead bill. The protection to the consumer is already law, some 7 or 8 years old, wherein it is provided that any time that the price contemplating sufficient control by the farmer shall raise prices to the point where there would be complaint, the Secretary of Agriculture shall investigate, and if found unwarranted, or that the price is not well founded, on what the investigation shows—

Mr. BRIGHAM (interposing). The creation of this board would supersede that Capper-Volstead Act, would it not?

Mr. SILVER. It depends on how you draw the bill. Of course, I am speaking on a moot question as to that.

Mr. BRIGHAM. Would you advocate that it should supersede the provisions of that act?

Mr. SILVER. If I were writing this same bill now, I would make some changes in it. However, it is a good bill, and is the mainstay behind which agriculture is at the present time able to organize.

Mr. BRIGHAM. In the case of railroads the Interstate Commerce Commission has gone further than you would advocate, and has provided that if a railroad wants to extend its lines it should come to the Interstate Commerce Commission for permission.

Mr. SILVER. That is the way the law is written.

Mr. BRIGHAM. Would you advocate that if a farmer wanted to extend his business he must come to the Federal farm board for permission?

Mr. SILVER. I would have the educational feature, such as you discussed, as to more or less of a crop, or more or less acreage, go back through his local cooperative, with the information which may be had from the departments or from his sales agency or elsewhere—back through his cooperative, and not through the board.

Mr. BRIGHAM. How would you regulate the production if the price were fixed?

Mr. SILVER. By this system of warehousing at the point of origin; for if there is a carry-over in a nonperishable, it remains there with the farmer having an interest in it.

Mr. BRIGHAM. How about the case of a perishable?

Mr. SILVER. In the case of a perishable, unless it is processed—canned or otherwise processed—it automatically takes care of itself. It eliminates itself.

Mr. BRIGHAM. How does it eliminate itself?

Mr. SILVER. By ceasing to be a commodity of commerce.

Mr. BRIGHAM. Someone has to lose it?

Mr. SILVER. Yes, sir; someone has to lose it, and if it is to be lost—not that I am advocating that anything should be lost, and I trust it would not be lost—but if it should be, it had best be lost at the point of origin, before transportation costs, and so forth, go with it, than at the other end, where it is dumped in the city, with all the expenses on it.

Mr. BRIGHAM. You heard Mr. Ralston say this morning, I think, that there was a 100,000,000-bushel surplus of potatoes, did you not?

Mr. SILVER. Yes, sir.

Mr. BRIGHAM. And that nothing could be done with that 100,000,000-bushel surplus?

Mr. SILVER. Yes.

Mr. BRIGHAM. Now, under your system, how would you prorate that loss over all the growers of potatoes?

Mr. SILVER. I am of the opinion that under the system that I propose there would be no such surplus.

Mr. BRIGHAM. Why not?

Mr. SILVER. Because these cooperatives would be receiving information and would be having it available to them and delivered to them on such basis that they would have a different attitude toward it. Reading a newspaper or a communication by mail does not have the same effect as sitting in a conference, just as we are sitting here, and just as a cooperative sits around a table and says, "Here is so much of a crop and acreage," with the Department of Agriculture making its forecast. There is ample opportunity for adjusting production more nearly to consumptive needs than has been the case in the past.

Mr. KETCHAM. Mr. Silver, I was out of the room when you opened your statement, and I would like to ask you one question. How wide would you make the application of this proposition that you are advancing to the farmers' products? Would you make it a blanket inclusion or would you put the power of including the various products, when the need arose, in the board itself?

Mr. SILVER. I would put the power to designate in the board itself, and it might use its judgment—and we must rely upon the judgment of the good boards—to apply it as the needs might warrant.

Mr. KETCHAM (presiding). We are very much obliged to you for your testimony.

Mr. SILVER. I thank you.

Mr. KETCHAM. Mr. Holman, will you take the stand? The committee has allowed you 30 minutes.

STATEMENT OF CHARLES W. HOLMAN, WASHINGTON, D. C., SECRETARY OF THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION

Mr. HOLMAN. My name is Charles W. Holman, 1731 I Street, Washington, D. C.; secretary of the National Cooperative Milk Producers' Federation.

I am filing with the stenographer a list of the officers and directors and a list of the member associations that belong to the federation, together with the dates of their organization, their last check-up as to individual members, and their turnover in dollars and cents.

Mr. ANDRESEN. How many associations are there, and how many members in the individual associations?

Mr. HOLMAN. There are 43 member groups, totaling 315,787 farmers, doing a total business of \$333,074,026.

Mr. ANDRESEN. How many States are covered by the membership?

Mr. HOLMAN. Practically every State in the dairy belt; something over 30. The organizations are nearly all of an interstate character, many of them each handling milk and its products from a membership drawn from two or more States.

(The matter submitted by Mr. Holman is as follows:)

OFFICERS AND DIRECTORS OF THE NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATION

(National headquarters, 1731 I Street NW., Washington, D. C.)

OFFICERS

Harry Hartke, president, Covington, Ky.

C. E. Hough, first vice president, Hartford, Conn.

John Brandt, second vice president, Litchfield, Minn.

Frank P. Willits, treasurer, Ward, Pa.

Charles W. Holman, secretary, Washington, D. C.

DIRECTORS

C. Bechtelheimer, Waterloo, Iowa.

John Brandt, Litchfield, Minn.

P. L. Betts, Chicago, Ill.

F. G. Swoboda, Plymouth, Wis.

W. S. Moscrip, Lake Elmo, Minn.

W. F. Schilling, Northfield, Minn.

A. G. Ziebell, Marysville, Wash.

G. H. Benkendorf, Modesto, Calif.

W. P. Davis, Boston, Mass.

Harry Hartke, Covington, Ky.

G. W. Slocum, New York, N. Y.

John D. Miller, Susquehanna, Pa.

Frank P. Willits, Ward, Pa.

R. Smith Snader, New Windsor, Md.

C. E. Hough, Hartford, Conn.

P. S. Brenneman, Jefferson, Ohio.

B. Ashcraft, Chardon, Ohio.

N. P. Hull, Lansing, Mich.

C. F. Dineen, Milwaukee, Wis.

H. D. Allebach, Philadelphia, Pa.

H. L. Whiteman, Liberty Center, Ohio.

J. H. Mason, Des Moines, Iowa.

T. H. Brice, Los Angeles, Calif.

Cooperative dairy associations affiliated with the National Cooperative Milk Producers' Federation

Association and location	Date of organization	Estimated number of members	Estimated annual sales in dollars
Berrien County Milk Producers Association, Benton Harbor, Mich.	1918	168	\$441,000
California Milk Producers Association, Eighth and Towne Streets, Los Angeles, Calif.	1915	480	5,875,074
Challenge Cream & Butter Association, 915 East Second Street, Los Angeles, Calif.	1911	15,000	15,955,033
Chicago Equity Union Exchange, 110 North Franklin Street, Chicago, Ill.	1917	5,000	1,531,000
Connecticut Milk Producers Association, 450 Asylum Street, Hartford, Conn.	1917	3,800	12,000,000
Cooperative Pure Milk Association of Cincinnati, Plum and Central Parkway, Cincinnati, Ohio.	1915	3,400	2,371,000
Dairymen's Cooperative Sales Co., 451 Century Building, Pittsburgh, Pa.	1918	12,000	11,750,000
Coos Bay Mutual Creamery Co., Marshfield, Oreg.	1919	455	449,235
Dairymen's League Cooperative Association (Inc.), 11 West Forty-second Street, New York, N. Y.	1921	71,883	82,501,810
Des Moines Cooperative Dairy Marketing Association, 1935 Des Moines Street, Des Moines, Iowa.	1917	1,250	81,000
Farmers Milk Producers Association, 114 East Cary Street, Richmond, Va.	1916	106	1,200,000
Gray's Harbor Dairymen's Association, Satsop, Wash.	1918	300	384,000
Illinois Milk Producers Association, 400 Commercial National Bank Building, Peoria, Ill.	1926	688	788,186
Indiana Dairy Marketing Association, Muncie, Ind.	1922	546	396,000
Inland Empire By-Products Co., 1805 West Third Avenue, Spokane, Wash.	1918	874	628,000
Inter-State Milk Producers Association (Inc.), 219 North Broad Street, Philadelphia, Pa.	1917	16,830	28,468,762
Iowa Cooperative Creameries Secretaries and Managers Association, 908 Pioneer National Bank Building, Waterloo, Iowa.		15,000	9,000,000
Land O'Lakes Creameries (Inc.), 2201 Kennedy Street N.E., Minneapolis, Minn.	1921	73,000	39,851,655
Lewis-Pacific Dairymen's Association, Chehalis, Wash.	1919	841	891,000
Maryland and Virginia Milk Producers Association, 1731 I Street N.W., Washington, D. C.	1916	1,000	2,520,000
Maryland State Dairymen's Association, 810 Fidelity Building, Baltimore, Md.	1917	3,700	7,105,880
Miami Valley Cooperative Milk Producers Association, 136 West Maple Street, Dayton, Ohio.	1922	4,000	1,318,663
Michigan Milk Producers Association, 609 Owen Building, Detroit, Mich.	1916	10,000	15,000,000
Milk Producers Association of San Diego County, San Diego, Calif.	1917	55	548,712
Milk Producers Association of Summit County and Vicinity, 440 North Cedar Street, Akron, Ohio.	1917	2,300	2,701,000
Milwaukee Cooperative Milk Producers, 1511 Fond du Lac Avenue, Milwaukee, Wis.	1916	1,800	5,400,000
National Cheese Producers Federation, Plymouth, Wis.	1914	7,500	8,553,483
New England Milk Producers Association, 51 Cornhill, Boston, Mass.	1917	20,154	25,000,000
Northwestern (Ohio) Cooperative Sales Co., Wauson, Ohio.	1920	4,000	979,466
Ohio Farmers Cooperative Milk Association, 3068 West One hundred and sixth Street, Cleveland, Ohio.	1919	3,500	5,841,000
Pure Milk Association, 608 South Dearborn Street, Chicago, Ill.	1925	7,000	10,000,000
Seioto Valley Cooperative Milk Producers Association, 605 Grand Theater Building, Columbus, Ohio.	1923	3,250	1,978,100
Seattle Milk Shippers Association, 327 Colman Building, Seattle, Wash.	1921	450	1,875,000
Skagit County Dairymen's Association, Burlington, Wash.	1916	1,500	2,464,000
Snohomish County Dairymen's Association, 23 Wisconsin Building, Everett, Wash.	1917	1,182	1,476,585
St. Louis Pure Milk Producers Cooperative Association, 20 North Main Street, East St. Louis, Ill.	1913	8,000	9,000,000
Stark County Milk Producers Association, Canton, Ohio.	1910	700	982,500
Tillamook County Creamery Association, Tillamook, Oreg.	1909	700	2,000,928
Twin City Milk Producers Association, Raymond and University Avenues, St. Paul, Minn.	1916	7,000	8,100,000
Twin Ports Cooperative Dairy Association, 6123 Tower Avenue, Superior, Wis.	1916	316	506,000
Valley of Virginia Cooperative Milk Producers, Harrisonburg, Va.	1922	700	247,000
Wheaton County Dairymen's Association, Bellingham, Wash.	1919	1,650	2,588,434
Yakima Dairymen's Association, 509 West Yakima Avenue, Yakima, Wash.	1921	909	690,000
Total		315,787	\$32,074,026

Mr. HOLMAN. Mr. Chairman and gentlemen of the committee, on behalf of our organizations I approach this question this afternoon with considerable diffidence. We assume that the committee desires a very frank expression as to what the various commodity groups might consider to be of real service to their membership and to agriculture generally in any attempt by Government to approach a solution of the farmer's economic difficulties. We sympathize with the committee's troubles. We also have those troubles before us. We are not entirely sure about the efficacy of all of the proposed solutions which we have discussed, even among ourselves.

We assume that the purpose of this committee hearing, inasmuch as this is the only committee of the lower House that has been organized for the discussion of agricultural economic questions, aside from the Ways and Means Committee, is, then, to hear not only the problems that may come within the purview of this committee but also the farmer's viewpoint as to the solution of some of those problems which may have to be reported upon in the form of bills by other committees.

Mr. ANDRESEN. Mr. Chairman, is that a correct statement—that this committee shall hear other matters that should properly come before other committees?

Mr. KETCHAM. Will you repeat the statement, Mr. Holman?

Mr. HOLMAN. I said that we assume that inasmuch as this is the only committee that is called into organization to consider these questions, it will listen to the farmers' troubles, even though it should find that in drafting legislation that legislation may not be properly handled by the committee.

Mr. KETCHAM. All that I can say is, Mr. Holman, that our rules adopted at the opening of the hearings specifically provided that we should confine ourselves to remedies and not to a recital of the ills.

Mr. HOLMAN. Exactly.

Mr. KETCHAM. And, further than that, by a general agreement, by unanimous consent, the committee agreed to limit the testimony that should be offered to the matters that might properly come within a farm relief bill and the duties or the responsibilities to be discharged under the control of the farm board that might be set up. Those are the limitations that have been imposed, and any testimony you have coming within those limits will be in order.

Mr. HOLMAN. Thank you.

Mr. KINCHELOE. I do not think this committee ought to be put in the attitude that we are assuming to hold any hearings on a subject over which we have no jurisdiction.

Mr. FORT. I do not recall that unanimous-consent agreement, Mr. Chairman.

Mr. KETCHAM. You are the gentleman who suggested it.

Mr. FORT. I think not in that form.

Mr. KETCHAM. Possibly I did not get the exact wording, but I would refer you to the report. I think I have quoted it, in substance, exactly right.

Mr. CLARKE. I think the acting chairman has stated it absolutely right.

Mr. KETCHAM. It seems to me, if there is any doubt about this, that we had better refer to the stenographic report of Mr. Fort's suggestion, which was the unanimous agreement of the committee at the conclusion of the session the first day, upon my proposal.

Mr. PURNELL. If the witness will confine himself to questions of remedy, it might be well to let him proceed.

Mr. ANDRESEN. We may find a way to use his suggestions.

Mr. JONES. There were embodied in the farm bill matters which properly would have gone to another committee, but we included them in this bill.

Mr. CLARKE. We have laid down hard and fast rules; now let us stick by them.

Mr. KETCHAM. You may proceed until some questionable matter comes in, and at that time we will have a ruling.

Mr. KINCHELOE. Mr. Holman, so far as I am concerned, I would be very much interested in your addressing yourself strictly to the dairy business, and what legislation this committee can vote out that will help you.

Mr. HOLMAN. The dairy industry itself is not an industry that is on an export surplus basis at the present time, but we have reached the point where we are within 1 per cent of being on such a basis. Fortunately the present indications of the trend of production, as compared with the trend of consumption, are that for the next two or three years perhaps we will remain a domestic industry; but we have to look to the future.

With that regard, we have some interest in the proposed legislation, but we are now more interested in it from the viewpoint of a balanced production in this country, in order to prevent, to the extent that it may be possible, the shifting of marginal producers from the beef and cattle and hog industries, and in some instances from the cotton industries, in dairying.

Legislation of this character might properly proceed from either one or both of two viewpoints. One is the subject that is directly before this committee, namely, the question of a Federal board, and probably the authority to set up the so-called stabilization corporations. The other viewpoint is what is commonly called the long-range viewpoint of more or less omnibus proposals, that really have as important a part in the solution of this problem as any single piece of legislation that might be directed toward price influence.

It is with respect to this second phase that I wish to make a few remarks.

As yet our national federation has not been able to consider the proposed Federal farm board, and any detailed machinery, because there has been nothing definite enough issued on which we could make any determination, and, being representatives of co-operatives handling a domestic product, we have hesitated to make any suggestions for the solution of the problems of other commodities. We have, however, gone on record, so far as our industry is concerned, for a few major things which I will list to you.

First, an adequate agricultural tariff, which, of course, is being taken care of in another committee.

Second. A sound policy of land utilization. That looks toward this question of marginal shifting and also toward a rational program in regard to opening new lands for the public domain.

Third. The further development of public research facilities, with particular regard to the finding of new outlets for consumption of farm products and by-products. That clearly is within the province of this committee.

Fourth. An extension of the present Federal policy of encouraging the self-help agricultural cooperative movement. This can be done particularly through increasing the facilities of the cooperative marketing division within the department. That is also within the province of this committee.

Fifth. The reorganization and expansion of Federal credit facilities to cooperatives.

It is with respect to that fifth proposal that we consider Congress can give a major assistance in the solution of the problem of farm relief.

Our executive committee last week indorsed the principles of such Federal cooperative credit legislation, and I was authorized to make the proper presentation with respect to that at such time as it might be possible.

Briefly, we stand with other cooperatives in asking for the complete divorcement of the Federal intermediate credit banks from the Federal land banks and the creation of an independent Federal intermediate credit board to have charge of those banks. We ask also for new legislation to provide a \$300,000,000 revolving fund, entirely separate from the present type of loans which are now made under those banks under the debenture provisions of the law, these loans to be made to cooperatives direct on the security of their assets. And in that respect we differ from Mr. Silver, who held here this afternoon that the marketing contract was the fundamental of such credit. We agree that the marketing contract is an important part to be considered, but taken alone such loans would always not be of a sound banking character. We think that in addition to marketing or purchasing membership contracts the loans should be based upon the physical properties owned by the organization, and the total assets of the association, such as their investments, their securities.

We believe that those loans should be given for a long-time period, up to possibly 20 years in some cases. These loans should be allowed up to 80 per cent of the total assets of the cooperative at any time, and should be repayable on the amortization plan.

We also think that the capital stock of some of the intermediate credit banks should be materially increased, so that any single intermediate credit bank should be capable of taking care of the credit needs of the largest cooperative association within its territory.

These proposals are fundamental to the daily routine operations of the cooperative associations. In addition to that, our particular viewpoint is this: That such loans should be considered on an individual basis, because they are trade secrets to a great extent and no power should be given to Government to discriminate, for example, as regards cooperative marketing policy in the making of such loans. If, for example, there are two competing cooperatives, both sound,

both worthy of loans, in the same territory, we think that both cooperatives are equally entitled to loans under a fair and just administration of the act.

We also join with our other groups in asking for a reduction of the minimum time limit on the commodity loans made under the system to cooperatives from six months to sixty days, and an increase in the power of the banks to loan on these commodities up to 90 per cent when such commodities are hedged on duly recognized contract markets.

We believe that cooperative credit as thus enumerated should not be placed under the Federal Farm Loan Board, because the Farm Loan Board at the present time is, and for a long time past has been, snowed under with the problems of land-mortgage credits. It is a man-sized job to straighten out the land-mortgage system and to operate it. It is also going to be a man-sized job for a Federal intermediate credit board to operate this new type of machinery.

For a similar reason we do not believe that this type of loan should be made by the proposed Federal Farm Loan Board that this committee is considering: First, the type of man who would be capable and who should be appointed on this Federal Farm Loan Board will be a strategist, a business strategist. He and his associates will be completely engrossed in the big strategy of handling industry problems. They should not be burdened with these routine details which, properly speaking, should be handled by banks located close to borrowing sources. If such men are business strategists of that kind the chances are that they are not also trained in banking. The men who supervise the Federal intermediate credit system should be men who understand thoroughly banking, and also cooperative business principles. We should therefore like to see this legislation at least take the turn of separating the routine business needs of the cooperative from the great strategic needs of a commodity-industry.

That is all, gentlemen, of my statement on behalf of our people.

Mr. KINCHELOE. Mr. Holman, would you advocate the loaning of Government funds to cooperatives for storage and processing purposes?

Mr. HOLMAN. You mean on the commodities?

Mr. KINCHELOE. Yes; if necessary.

Mr. HOLMAN. Under the present intermediate-credits act we may borrow on the commodity already.

Mr. KINCHELOE. That is not for processing purposes. I have in mind meats. I mean if it is necessary, would you empower this board, would you clothe this board with power, if necessary, to loan these cooperatives for storage purposes, or if necessary, for processing purposes, out of the revolving fund?

Mr. HOLMAN. When a cooperative offers its commodity to the intermediate-credit bank it simply offers the warehouse certificate and gets the loan and then it either processes or stores, as it pleases.

Mr. KINCHELOE. I am not talking about the present intermediate credit bank. I am talking about any amount that we might authorize out of the Federal Treasury for the farm board to dispose of. My question is, Would you give that board the power, if necessary, to loan it for storage and processing purposes?

Mr. HOLMAN. That power is already granted by a separate institution, and I see no particular reason for duplicating the machinery.

Mr. KINCHELOE. If we authorize the \$300,000,000 that you speak of out of the Treasury, would you give the loaning board the power to loan for storage and processing facilities?

Mr. HOLMAN. We are asking for this particular \$300,000,000 to be loaned exclusively by the intermediate credit banks to enable them to acquire the necessary plants, facilities, warehouses, and other properties to operate their business.

Mr. KINCHELOE. Then your answer to my question is yes, you would, if necessary?

Mr. HOLMAN. Yes; certainly; but we would rather that that be done by the intermediate credit banks. Also, Mr. Kincheloe, we stand here against any loans of any character being made to cooperatives for promotional purposes.

Mr. KINCHELOE. You do not think there should be any educational campaign conducted in this country to get more cooperatives?

Mr. HOLMAN. I believe in education, but I make a very distinct differentiation between educational work and lending money to a group of men to solicit membership in a cooperative. That is what we call promotion.

Mr. KINCHELOE. What kind of an educational campaign—what procedure would you adopt in the way of an educational campaign to set up new cooperatives?

Mr. HOLMAN. To begin with, the first business is not to set up new ones but to fortify the strength of the twelve thousand and odd that are already set up.

Mr. KINCHELOE. There are some commodities that have no cooperatives at all.

Mr. HOLMAN. That is true.

Mr. KINCHELOE. How would you set them up? How would you get to the people to try to get them in?

Mr. HOLMAN. I might say that we must approach this not from the viewpoint of hurry-up, promotional campaigns or evangelistic campaigns. This is a slow, tedious process of education and perhaps the soundest way is to let the cooperative marketing division of the Department of Agriculture expand as rapidly as it has capacity to do so to advise with these groups on their business problems.

Mr. KINCHELOE. You would let the cooperative division of the Department of Agriculture do the educational work?

Mr. HOLMAN. Up to a limited extent. I think if you should coordinate, for example, in a very large definite way the information which the cooperative marketing division is able to gather with the work which the county agents are doing, you would have a powerful force in this country for strengthening the cooperative movement.

Mr. KINCHELOE. I think so, too. I am not interested so much in the number of cooperatives, but there are some staple commodities that have not any cooperatives at all, and I think it is absolutely necessary to do something in order to get a cooperative into that commodity if your bill is going to work for all agricultural products. You say you would loan 90 per cent on the products of the farmer where it is hedged?

Mr. HOLMAN. Yes, sir.

Mr. KINCHELOE. Would you put that in the bill?

Mr. HOLMAN. We are drafting such a bill for the purpose of asking the Congress to pass and we are placing that provision in that bill.

Mr. KINCHELOE. Would you put any percentage as a maximum loan on commodities that are not hedged?

Mr. HOLMAN. Seventy-five per cent, the present percentage now in the intermediate credits act.

Mr. KINCHELOE. That is the intermediate credit banks?

Mr. HOLMAN. Yes.

Mr. KINCHELOE. What particular function would this farm board we have all had in contemplation perform if they had no say as to the loaning of this revolving fund?

Mr. HOLMAN. I can not answer that, Mr. Kincheloe, officially, because my group have not authorized me to make any suggestions regarding the Federal farm board.

Mr. KINCHELOE. That is all.

Mr. JONES. Mr. Holman, are your groups, as a practical proposition, now able to use to any appreciable extent the intermediate credit banks as they are now operated?

Mr. HOLMAN. Not as now operated. Our cheese organizations are contemplating the utilization of the credit, I am speaking primarily of the cheese organizations in Oregon. The Wisconsin groups have been considering it too. But that is the commodity credit.

Mr. JONES. Are not those banks able to make 60-day loans now if they want to?

Mr. HOLMAN. Not under the law.

Mr. JONES. They must be at least six months?

Mr. HOLMAN. They must be for at least six months.

Mr. JONES. So you can not use the rapid turn-over credit at all?

Mr. HOLMAN. That is right.

Mr. JONES. In handling your commodity?

Mr. HOLMAN. That is right.

Mr. JONES. They are not allowed to make long-time loans, either 10 or 20 years, for the purpose of acquiring building facilities?

Mr. HOLMAN. No, sir; that is not allowed.

Mr. JONES. You would like to have both of those provisions established in any new program that is laid out?

Mr. HOLMAN. Yes, sir.

Mr. JONES. That is to enable you to handle your business affairs practically, as your experience has shown you is necessary?

Mr. HOLMAN. Our dairy cooperation will take \$50,000,000—easily of that particular revolving fund.

Mr. JONES. Do you feel, if you had the loans in sufficient amounts to enable you to establish additional facilities, that it would prove to be a paying thing for your organization and the members thereof?

Mr. HOLMAN. Our own organizations are pretty well seasoned now. Some of them are very good. Some of them are becoming good. We do not anticipate that our people would attempt to expand any faster than sound business judgment would warrant.

Mr. JONES. So you want the loans only on sound business principles?

Mr. HOLMAN. Only the soundest. Here is the point, Mr. Jones: Within the last six months we have had difficulties with some of our associations in getting money because the resources of some private banks were not adequate for the loans we wanted to make. Then if we try to offer a bond issue, the public does not know much about cooperatives, and we have to offer these bonds at 15 or 20 per cent discount to get anybody to float them. We want the competitive sort of credit that will educate at least the private lending interests to the soundness of such loans.

Again, we find our people shut off, because our competitors have the inside track with the banks and we can not get loans, and we sometimes have to go to outside the home territory to get a loan when the local bank will not let us have it.

Mr. JONES. You do not think then that it would be a favor to an organization or a system to lend it more credit than its facilities and its operations would entitle it to?

Mr. HOLMAN. Not at all, only what is right and just and sound, and we want the Government to get back every nickle, and we want to pay interest for it.

Mr. JONES. If I understood your testimony a while ago, you do not favor the clothing of the board with power to engage in industrial operations and to organize individual corporations to handle commodities?

Mr. HOLMAN. I stated that our board of directors and our executive committee have taken no official action with regard to that.

Mr. JONES. With regard to those things?

Mr. HOLMAN. So I am powerless to express anything but a personal opinion, and the committee would not care for that.

Mr. JONES. You are interested in the practical working out of your own plans and problems as an organization, a better marketing organization if you can devise a better system of marketing.

Mr. HOLMAN. So far as the dairy groups are concerned, we have not yet found any problem of this character that we can not solve for ourselves.

Mr. JONES. You think if these loan changes—that is, the terms of the loans and the character of them—should be changed in accordance with the suggestions that you make you could work out your own problems in large measure?

Mr. HOLMAN. As far as the dairy group is concerned, I believe that is true.

Mr. JONES. That is all.

Mr. LARSEN. You spoke of a policy of loaning money for promotional work. What do you include in the term "promotional work"? Do you mean the organization of new cooperative associations?

Mr. HOLMAN. Yes.

Mr. LARSEN. Or do you include in that term also the expansion of the work of the individual members of the association?

Mr. HOLMAN. I mean the utilization of loans of that character in membership campaigns.

Mr. LARSEN. What do you think should be the policy as to loans with respect to the enlargement of the operations of individual members of cooperative associations?

Mr. HOLMAN. That should be taken care of out of the revenues of the organization and not out of loans of the character we are seeking.

Mr. LARSEN. In other words, if a man is operating a dairy business and has a herd of 50 cattle and wants to put in 100, you would require your local cooperative association to lend him the money for the additional enlargement?

Mr. HOLMAN. I beg your pardon; I misunderstood the nature of your question. Loans of that character are already provided in the intermediate credits act.

Mr. LARSEN. Exactly.

Mr. HOLMAN. Through the agricultural credit corporations.

Mr. LARSEN. The intermediate credits act also gives authority to aid persons to get into the dairy business.

Mr. HOLMAN. It may do that.

Mr. LARSEN. What do you consider a basis of credit for that kind of loan?

Mr. HOLMAN. You mean the productive loan?

Mr. LARSEN. Yes. For instance, if I wanted to get into the dairy business and I had, let us say, no cattle. What should I possess otherwise in order to get help to enter the business; or, if I were in and wanted to enlarge my business, what do you consider the basis of credit should be?

Mr. HOLMAN. If a man has not got anything—

Mr. LARSEN (interposing). I said cattle, I did not mean other things. What should be the basis of credit?

Mr. HOLMAN. Usually a mortgage on the cattle, Mr. Larsen, when pooled through these credit corporations is sufficient with the note of the man.

Mr. LARSEN. The reason I asked the question is, I was talking with a very practical farmer some days ago. He told me about a conversation with a banking institution in my own State in which he had requested for a friend of his a little assistance to get into the dairy business. He says the gentleman owns a farm, owns the land, and owns quite a number of other things, but the banker told him that the intermediate credit bank, before it would make any loan whatever, required that the individual proposing to go into the business should own the land, should own sufficient stock to operate it, should own a year's supply of food for the cattle, and should then require the party to take out an insurance policy on the cattle for one year, which would cost him \$7.50 for each cow.

Mr. JONES. If he had all that he would not need to go to the bank.

Mr. LARSEN. That is what I said. I was told that was considered the minimum legitimate basis of credit recognized by the intermediate credit bank in one of the southern sections. Is that a sound basis of credit or is that a just restriction to place upon such business?

Mr. HOLMAN. It is certainly an adequate basis of credit.

Mr. LARSEN. What I want to know is what constitutes a practical requirement for such credit; are those the requirements that are put on the men in the dairy association as a credit basis?

Mr. HOLMAN. Mr. Larsen, I am not informed as to the actual details which the intermediate credit banks require in cases of that kind.

Mr. LARSEN. Is there any other source from which a man can get credit?

Mr. HOLMAN. I am speaking primarily of cooperative association credit, of which I do know something.

Mr. LARSEN. A man has got to have some dairy facilities in order to get into the cooperative unit.

Mr. HOLMAN. Yes; but I am speaking now for the cooperative machinery and not for the individual farmer.

Mr. LARSEN. You do not profess to know, then, anything about what should be the basis of credit for the individual included in the cooperative association?

Mr. HOLMAN. I have my own ideas. I think that that is rather an excessive requirement which they were making. I do think it is entirely possible to make safe loans on very much less stringent terms than that.

Mr. FORT. Mr. Holman, I was very much interested in your statement that in possibly two or three years or less your industry may be on an export basis.

Mr. HOLMAN. It may be.

Mr. FORT. We have been hearing a great deal here about the impossibility of dealing with surplus farm commodities after the surplus is created. Do you feel that we should pass legislation that would possibly tend to transform the dairy industry from a deficit to a surplus condition?

Mr. HOLMAN. Absolutely no.

Mr. FORT. Then should we not insist that in the making of loans for any purpose to the dairy industry that the industry as a whole should be considered, and not leave it to regional intermediate-credit banks, perhaps, to expand the industry unduly in some one section of the country?

Mr. HOLMAN. I can not see that your second question follows logically out of your first.

Mr. FORT. The condition might follow, might it not?

Mr. HOLMAN. Not necessarily. The object of these loans is to enable the cooperative associations to handle more effectively and economically the milk that is already produced.

Mr. FORT. But they also loan through the intermediate credit banks, as Mr. Larsen has just been pointing out, for the expansion of herds.

Mr. HOLMAN. Our associations on a voluntary basis are working out machinery whereby production tends to become stabilized.

Mr. FORT. As far as the membership of your association is concerned?

Mr. HOLMAN. Yes.

Mr. FORT. You are doing a fine job and I am asking you the questions because your association is doing this job so well, and I would like to have its advice.

Mr. HOLMAN. We hope to be able to influence production by sound and proper price policies.

Mr. FORT. So long as you can continue your present almost nationwide control of the industry.

Mr. HOLMAN. We do not have that.

Mr. FORT. Well—

Mr. HOLMAN. We are only a factor in it.

Mr. FORT. Well, you are modest. It is from that angle that I have been interested in this question of competitive loans for the establishment of additional facilities, for example. You have said that you believe that the board ought not to consider anything but the individual security offered on the individual loan plus the individual management of the individual cooperative.

Mr. HOLMAN. Sir?

Mr. FORT. On that basis might it not easily become possible for our dairy industry to get over its 1 per cent limit of safety if the board happens to become a little generous in its loans?

Mr. HOLMAN. To begin with, these cooperative leaders as they get a little more experienced are seeing the folly of fighting each other in cases where they do fight.

The object of strengthening a cooperative association in the dairy world, and I think in other organizations, is to arrive at a price policy which will find a point where the goods move freely into consumption. Irrespective of the cost of production, unless the goods move freely than there is something wrong with a price policy.

Among our people, if we get the price up, and we can often get more for the milk, but if we get it up even so low as 20 cents a hundred more than it ought to be, taking into consideration the relation of it to other crops, we get an excessive flow of milk almost immediately following the price rise.

Our men are thinking in those terms. They are making surveys of the consumption capacities of their districts and they are trying to work out rational and sensible programs for preventing overproduction in their districts.

Mr. FORT. I am asking you as a witness on these points because of the success you have had and the management of your organization has had. Is it wise for us, however, to extend in general legislation the matter of loans to all types of organizations, cooperatives all over the country in all of the different lines of agriculture, without considering the relation of those loans in one section to the business in another section?

Mr. HOLMAN. If you do not, then you will have established such a powerful bureaucracy that you would have tremendous resentment in the country districts of this country.

Mr. FORT. I want to ask you, Mr. Holman, representing your group, do you feel in any Federal farm board legislation that we may pass, that the initiation of programs should rest with the board or with the commodity organizations affected?

Mr. HOLMAN. I can only answer that question from a personal point of view, resulting out of my conversations with scores of cooperative leaders in industries that do have exportable surpluses. I have not found one yet but who feels that, if these stabilization corporations are to be created, they should be created only upon the initiative of the substantial majority of the cooperatives in the industry and when they are created they should be controlled by the cooperatives as their subsidiaries.

Mr. FORT. Does that hold as to the other steps the board may be authorized to take, other than stabilization corporations?

Mr. HOLMAN. In so far as the work of the board would relate to assistance, yes; control, no—I mean Government domination over

industries' policies. We desire assistance but would oppose Government control.

Mr. FORT. That is all.

Mr. NELSON. Is the per capita consumption of milk and milk products increasing or decreasing in this country?

Mr. HOLMAN. It is increasing slightly in the nation as a whole and increasing very rapidly in those districts where we put on educational campaigns.

Mr. NELSON. How do you account for this increase?

Mr. HOLMAN. Educational work, industry advertising. For instance, in the city of Philadelphia we spend \$100,000 a year continuously to educate the school children to the food value of milk.

Mr. NELSON. That is what I am coming to. I know there are a number of places where city clubs have taken up this work and have gotten immediate results.

Mr. HOLMAN. We increased the per capita consumption in Philadelphia 25 per cent and have been able to maintain that increased ratio.

Mr. ANDRESEN. Mr. Holman, you have in your main statement touched mainly on the credit situation and incidentally mentioned the necessity of certain tariff legislation for dairy products. Otherwise I do not believe you have offered any constructive remedy for this committee to consider. You also mentioned that we stood within 1 per cent of having a surplus of dairy products. I am sure you realize that there has been an enormous expansion in dairying in the past 10 years throughout the Middle West, throughout the South and in sections where they have been producing wheat and cotton and other agricultural products, and that that expansion is very apt to go on.

Mr. HOLMAN. That must be qualified. The national expansion is very slow and very small and from year to year there are regional shifts. One region will go back and another region will come on. For example, the expansion in the South is offset by the decrease in Wisconsin and the near-by territory.

Mr. ANDRESEN. You say that possibly within two or three years we will be producing surplus dairy products.

Mr. HOLMAN. We may; I hope not.

Mr. ANDRESEN. I know your organization has given a great deal of thought to the surplus question. Having that in mind, do you not believe it is the proper time now for this committee and Congress to anticipate that surplus situation and pass legislation that might in some way prohibit it and keep the wheat farmer producing wheat, the corn farmer producing corn, and the cotton farmer producing cotton, and to make it possible for them to keep the dairy industry profitable?

Mr. HOLMAN. I certainly believe that Congress should do everything in its power to the extent that legislation can help.

But I call your attention to the fact that no single bill, whether it is directed at price influence or other factors, will alone do the job.

This, in my judgment, should be a joint committee of Congress considering this question rather than a single committee; because the problem is too broad for a single committee to consider, under the rules of the House, and to meet the problem within its own powers.

Mr. ANDRESEN. But the tariff has solved the problem for the dairy industry, or will solve it; is that not true?

Mr. HOLMAN. Only partly.

Mr. ANDRESEN. As long as we continue to produce just enough for domestic consumption.

Mr. HOLMAN. We are very grateful to Congress not only for the tariff but for other equally important legislation of a character that has helped us maintain the dairy industry.

Mr. ANDRESEN. Your organization certainly recognizes the necessity of helping out the wheat situation and the cotton situation.

Mr. HOLMAN. We do, and we hope something of that kind can be done.

Not being an exportable crop, we have not been willing as yet to recommend anything for cotton or grain or for the other products because we think those gentlemen should express to you their views as to their needs. What I am expressing to you are our needs, and our greatest need now is for more credit in order to enable us to have additional physical facilities.

Mr. ANDRESEN. Do you want us to understand that your organization favors the proposition of general farm legislation coming from this committee in which the dairy interests will not be considered whatsoever?

Mr. HOLMAN. Our organization has as yet taken no action whatsoever of that kind.

Mr. ANDRESEN. But so far as your present instructions are concerned—

Mr. HOLMAN (interposing). I have gone as far as I can go.

Mr. ANDRESEN. This committee is not to consider any particular legislation, in a general way, for the dairy industry?

Mr. HOLMAN. The organization may upon a moment's notice, as soon as a bill is reported out, be called into session. But it does not know. It is asking you to use your efforts with the Congress to give us this credit which we now know we need, and our idea of it is that its administration should be placed in the intermediate credit banks, and we hope Congress will agree with us on that.

Mr. ANDRESEN. As far as your organization is concerned, there is no specific remedy you have to offer to this committee for it to consider as a Committee on Agriculture?

Mr. HOLMAN. So far as dairying is concerned, you give us what we are asking for and we will be very well satisfied for a year or two.

Mr. ANDRESEN. We would like to do it, Mr. Holman, if it is possible for us to do it.

Mr. CLARKE. I would like to ask you one or two questions. I am not certain what your definite recommendation is as to how the intermediate credit banks can be made more available to the cooperatives in the dairying industry, for instance.

Mr. HOLMAN. Let us assume that legislation is passed which provides this large revolving fund, say, it may be \$50,000,000, or it may be \$300,000,000. We think it should be \$300,000,000.

It authorizes the intermediate credit banks to lend that money to cooperative associations upon the security of their assets for the purpose of acquiring and erecting the necessary physical properties, or for refinancing or refunding existing indebtednesses.

Let us take the cooperative association, let us say the dairymen's league, of which you are a director. They believe they would want about two and a half or three million dollars of this fund as soon as the bill becomes a law in order to enable them gradually to work over their present 5-year certificates of indebtedness and get them on a longer time basis by being able to borrow that money upon the \$15,000,000 worth of assets which they have.

They would then make the deductions smaller each year; instead of deducting 20 per cent, for example, they would finally get the deductions down to 10 per cent, out of the milk check, which would make it very much easier in the competitive situation. I do not know whether I have made that clear.

Mr. CLARKE. I can not understand why, as a policy of Government, seeking to aid the cooperative movement, these credits could not be available.

Mr. HOLMAN. At the present time they are not available. At the present time we can not in some districts get it from the private banks.

We had one association in a Middle Western State that was driven into the retail marketing of milk and its products. This association had \$1,000,000 worth of property all paid for.

For six years it had banked with a certain bank in that city, depositing from \$350,000 to \$500,000 a month. It had an open line of credit on its corporation notes of \$180,000. Its relations were such that if it needed forty or fifty thousand dollars it would simply make out a note and send it to the bank with the deposit slip.

Within 10 days after word was sent out that they were going to start to go into the retailing business this bank requested them immediately to change their depository and pay the \$30,000 which happened to be the current indebtedness that they had.

They went from bank to bank and from bank to bank before they could get any money whatsoever, or could even find anybody in that great city who would even take their account.

They finally had to call a mass meeting of the members and sell preferred stock. Then as a final resort they had to take one-half of the January milk check arbitrarily from their members, because it was a case of either going forward or blowing up. They were being pinched.

As soon as the banks discovered they could get money there was then no difficulty in negotiating a \$225,000 loan. That is one of the reasons why we want this legislation.

Mr. CLARKE. I think you ought to have it.

Mr. HOPE. You stated in the course of your remarks that you were opposed to any funds being loaned to cooperatives for the purpose of extending their membership.

Mr. HOLMAN. Yes; and we think that is a sound position to take.

Mr. HOPE. What is your objection to loans of that kind?

Mr. HOLMAN. As to loans for extending membership, in the first place, if a cooperative association is to be founded, every individual farmer who joins it should be willing to pay his pro rata share for going into the organization, that is, his pro rata share of whatever the organization expense is. After it is founded an organization department should be maintained out of the revenues, that is, out of the current revenues of the organization.

We think if an organization is so weak that it has to borrow money from the Government to go out with a bunch of solicitors to get new members, it would be very unsafe and very unwise also to encourage that kind of an organization.

Mr. HOPE. Is it necessarily a proof of unsoundness, that it has to go out and spend some money in effecting its organization?

I have in mind some organizations like our western wheat pools, where the members are scattered over the entire State, and where it is necessary to send some one out to interview the farmers all over the territory, to personally tell them of the benefits of joining an organization of that kind. Do you see anything wrong in that being done?

Mr. HOLMAN. In borrowing money from the Government to do it?

Mr. HOPE. Yes.

Mr. HOLMAN. I do.

Mr. HOPE. What is the objection to it?

Mr. HOLMAN. You throw the door open to all kinds of promoters of every kind and character. I remember about 15 years ago when I was in Wisconsin, in the old days of the promotion of cooperative packing houses, with 20 per cent commission to the solicitor, they founded half a dozen packing houses that cost half a million dollars apiece. Then the farmers took charge and discovered they would need about three or four million dollars additional to run the houses. So the farmers had to sell the houses to the various old-line packers.

Mr. HOPE. Of course, any proposition of this kind would be under the control of the farm board. You do not think such a board would stand for any proposition of that kind, do you?

Mr. HOLMAN. Mr. Hope, every promoter of a cooperative association who would come down here is positive that he is right and that his association is going to be a success. If the door is opened for promotional purposes you will have more trouble and you will have more failures. We are through with the period of evangelism.

What we want is for farmers first to show some sense of responsibility; if they want to go into these associations they should be willing to make some sacrifices to do it.

Mr. HOPE. You do not assume that the Government is going to pay the expense of joining these associations?

Mr. HOLMAN. That is what we mean by promotion work.

Mr. HOPE. That expense would be taken out of the first-crop deliveries, so it would simply be an advance to them.

Mr. HOLMAN. Again I say if there is not sufficient sentiment among the farmers themselves to finance the initial stages of the organization, then the organization is not a sound credit risk, either for the Government or for a private bank or for any other source, to lend money to.

Mr. HOPE. You think if conditions exist where work of that kind is necessary to be done, where it is necessary to do some work in organizing, that that is not a field for a cooperative to operate in; is that your conclusion?

Mr. HOLMAN. No; I think the cooperatives should go out and promote their organizations. We all do. But give us the machinery

for acquiring the necessary properties and there will be no difficulty about the members coming in.

Mr. HOPE. You are not opposed to an organized effort on the part of a cooperative to extend its membership. Your only objection is to the source of these funds; is that it?

Mr. HOLMAN. My only objection is this: We want to safeguard the character of our demands to the Congress. We want only legitimate credit risks; but we are asking this because it is a necessary and natural form of competition, and we are asking it to enable us to secure money to expand normally and rapidly.

Mr. HOPE. You do not think a loan of this kind would necessarily be unsound, do you?

Mr. HOLMAN. I do. I would not be in favor of lending money to any group if a penny of that money was to be used in a membership campaign.

Mr. HOPE. If it was loaned by the Government, steps would be taken to secure the repayment of it, and the provisions under which it was loaned should provide that it be repaid out of the first crop delivery by the members. That should be ample assurance to the Government that it would get its money back.

Mr. HOLMAN. Normally, Mr. Hope, if you go to any lending agency and say you have \$100,000 worth of securities and you want to borrow \$30,000, they do not inquire as to everything that you are going to do with it. But I am opposed to the use of Government funds for promotional purposes.

Mr. BRIGHAM. I inferred from your statement that it was your opinion that the prosperity of the dairy industry is due to the fact that our production is adjusted approximately to the consumption of the country.

Mr. HOLMAN. We have not exceeded it.

Mr. BRIGHAM. So the tariff is effective?

Mr. HOLMAN. It is in some degree effective on certain commodities, but since the old tariff law was enacted the price level has changed, and we have also discovered that our foreign competitors have new devices for bringing their products into this country. For example, Canada is importing butter from New Zealand and shipping us the butter fat.

Mr. BRIGHAM. So the tariff is not entirely effective?

Mr. HOLMAN. It is almost effective on butter. We need another 3 or 4 cents a pound on butter, and we need 60 cents a gallon on cream.

Mr. BRIGHAM. Have you made any study as to the relative wage per hour of time expended that is obtained by the dairymen in contrast to the wage of the wheat growers and the cotton growers, and the grain growers generally?

Mr. HOLMAN. No, sir; I have not.

Mr. BRIGHAM. Have you any opinion on that subject?

Mr. HOLMAN. I know that our wages for milkers in the Northern States are considerably higher, on the average, than those paid to Southern labor. I happen to be a southerner and I know something about wages paid down there.

Mr. BRIGHAM. Is not the prosperity of the dairy industry due in part to the fact that the dairyman works more hours in the year?

Mr. HOLMAN. Undoubtedly.

Mr. BRIGHAM. But he is not receiving any more per hour.

Mr. HOLMAN. Let us not call it prosperity, Mr. Brigham. It is simply that the relative return is slightly better than in some other commodities right now, and the buying power happens to be on a par with the pre-war buying power, whereas in the case of most other commodities it is not.

Mr. BRIGHAM. Is your organization doing anything to prevent the expansion of the dairy industry so that it will escape being on an export basis?

Mr. HOLMAN. Yes; we are carrying on a speech and publicity campaign, but that does not do much good. Propaganda does not do much good in the way of limiting production.

Mr. BRIGHAM. Do you think advice from the farm board would do any good?

Mr. HOLMAN. No; not in the least. The answer to production trend problems is price adjustment. We handle that in some of our districts by what we call basic and surplus-price arrangements. We gear the basic price to the quantity that each individual farmer can produce; everything above that quantity goes later to the surplus price. In adjusting the surplus price up and down we finally reach a condition which approximates an equilibrium.

Mr. BRIGHAM. But you would expect, if you went on an export basis, that the price would drop materially, would you not?

Mr. HOLMAN. Butter would be affected very materially.

Mr. BRIGHAM. Would that affect the price of milk?

Mr. HOLMAN. That would begin to affect the price of milk, and it might affect butterfat prices 3 or 4 cents a pound, or may be more than that. But I believe we are gaining enough strength so we can pretty well stabilize behind a stiff tariff wall.

Mr. BRIGHAM. Even though you were on an export basis?

Mr. HOLMAN. Yes, sir. What we would have to do would be to put exporting responsibility on the industry itself; we would have to figure on losing some money on what we would sell abroad.

Mr. BRIGHAM. Do you think the wheat growers' organization could do the same thing?

Mr. HOLMAN. I can not answer for the other commodities.

Mr. BRIGHAM. Is there any reason why they could not?

Mr. HOLMAN. Of course, you know so far as the wheat growers are concerned, that there are 4,500 farmer-owned elevators. They have not yet really tried to help themselves in a big way. If they put those 4,500 elevators together in a voluntary series of selling agencies you would not hear the wheat farmers kicking as much as they have kicked. That is my private opinion about it.

Mr. BRIGHAM. Do you know what percentage of the wheat crop the 4,500 elevators handle?

—Mr. HOLMAN. About half a billion bushels. Mr. Adkins would know about that better than I do, because he has been closely associated with those elevators.

That is just my personal opinion. I would not want to speak for the dairy industry in regard to that.

Mr. KETCHAM. I want to ask you a question with reference to the complaints concerning the policy of the intermediate credit banks. You stated there were some instances where you felt that their

policy had not been such as would be favorable to the work of your particular kind of organization. Are there numerous illustrations of that?

Mr. HOLMAN. I do not believe I made such a statement in reference to the industry. It must have been some other witness.

Mr. KETCHAM. It has been presented a number of times, and I was under the impression that you stated that.

Mr. HOLMAN. No.

Mr. KETCHAM. You would have that policy changed?

Mr. HOLMAN. Yes. Our industry is contemplating a very great use of these banks. We want these banks to be in a position to take care of our business rather than be so engrossed in the details of the farm-mortgage business. We think the Farm Loan Board is overburdened, and we know that when the intermediate credit bank act was passed several members of the board were unwilling to take on that burden because they thought they ought not to do it.

Mr. KETCHAM. I think I recall now the basis of the complaint. You made the remark that where in the same field there were two cooperatives equally strong no discrimination should be made, and I had the notion that there had been some illustrations given of discrimination.

Mr. HOLMAN. No. I am presenting a principle of administration. I would not like to enter into the question of complaints.

Mr. KETCHAM. In connection with the question asked by Mr. Fort, suppose we set up this Federal farm board and give it pretty broad powers and ample funds, then the question will come as to how the board shall function. Is it your idea that it shall function on its own initiative, or shall it begin its functioning only when a commodity group shall make its own request?

Mr. HOLMAN. The leaders of the groups that would have an exportable surplus, so far as I can ascertain, feel that the board should not act on its own initiative, but only after a decision by a substantial majority of the cooperatives in the industry.

Mr. KETCHAM. If Mr. Jordan is here, we will be very glad to hear him now.

STATEMENT OF HARVIE JORDAN, GREENVILLE, S. C.

Mr. JORDAN. Mr. Chairman and gentlemen, I appear before you to-day as a cotton grower, having been a cotton grower for more than 50 years, and having been officially connected with cotton growers' associations for the last 35 years.

I think we have now in the cotton-growing States of the Nation about 2,700,000 cotton growers, and counting 5 to the family, that would make about 13,500,000 people in the cotton fields of this country, practically one-tenth of the Nation's population. Their average income per family is about 5 bales, making their gross annual income from cotton per family about \$600 a year, under existing conditions.

It is well known that cotton is the most valuable monetary product of the Nation, both in our domestic consumption and in the exports of our agricultural products. I have been very deeply interested in the enactment of Federal farm relief for the cotton-growing industry. We need relief.

I want to address myself first to that part of the relief measure which relates to taking care of the surplus of the crop, the so-called surplus. It is a temporary carry-over.

So long as we have seasons we are going to have fat and lean years, and it would be utterly impossible for the cotton growers to ever absolutely control production like the manufacturers. In some years our surplus is larger and in other years it is smaller.

During the last 40 years there have been only 2 years in which the price of cotton was based upon the legitimate laws of supply and demand. That was the case in 1921 and 1922, when we made such small crops that there were no carry-overs whatever.

Our big difficulty with the carry-over is that it is marketed or dumped upon the market at the same time in which enough cotton is sold to meet the requirements of the mills of the world for the cotton year, beginning the 1st of August and ending the 31st of the next July.

The dumping of this surplus upon the market when it will not be needed in the channels of consumption during that 12 months' period enables the speculators who must buy it and store it and finance and carry it, to take advantage of the farmers who are forced to sell. It has a tendency to depress the price, and as the price for the surplus is depressed, it depresses the price for the entire crop needed in consumption.

Another depressing feature about it is that when we have a surplus or carry-over of 3,000,000, 4,000,000, or 5,000,000 bales of cotton every bale of that cotton must be sold upon the exchanges, and you thereby create a selling movement of 3,000,000, 4,000,000, or 5,000,000 bales on the exchanges to stand there as a depressing factor, so that as that cotton is held in the hands of buying merchants until it is called for the consumption by the cotton mills either of America or of Europe.

If we are placed in a position through the law passed by Congress creating a revolving fund, say, of \$100,000,000, to be used to help in retiring this temporary carry-over by the farmer and retire that absolutely from the market during the 12 months' period in which the crop is harvested, to be sold only when called for by the mills, we will then reduce to the legitimate law of supply and demand the delivery of cotton, and as a matter of course we will receive its maximum value.

That cotton should be retired; the prorata part can be easily determined; it can be easily determined what each State's prorata part will be, what each county's prorata part will be; and how much an individual's prorata part of his county's share will be. That cotton should be placed in the warehouse, where it is stored and insured, and this revolving fund be used as a loan, where the farmer needs the money. It should be retired upon a certificate which will guarantee that it will not be put upon the market for at least 12 or 15 months from the time it is put in the warehouse.

In order to prevent the production of another surplus on top of that, each farmer should be required to sign in that trust certificate a statement to the effect that if he deposits 5 bales, or 10 per cent of his production, and if it took 12 acres of his land to produce those 5 bales of cotton which is going to be held for him as part of the surplus for 12 months, that the following year he will plant that land in some

other crop, and in that way prevent the building of an increased production next year, making an additional surplus on top of that which he is undertaking to retire.

I believe that is about the only way in which the question of increased production can be held down, unless you do it by means of some drastic law.

The next matter of importance in connection with the handling of the surplus is this: I think that every cotton warehouse in every county in the State should be Federalized under our present Federal law, and in each one of those warehouses there should be placed an expert cotton grader and stapler.

One of the heavy sources of loss which our farmers sustain at the present time is their inability to properly grade and staple their own cotton, and the local cotton buyer, knowing that, very often takes advantage of them, and it no doubt causes a loss of many millions of dollars to the growers every year.

If we had in charge of those warehouses a man who is an expert grader and stapler, it would enable a farmer to know exactly what he has, and he will have a certificate of integrity issued by a representative receiving his appointment from the Department of Agriculture or from this Federal farm board, and it will enable him to demand from the cotton buyer the full market value of whatever grade and staple he may have to offer.

I think that these stabilization corporations should be largely created on the county unit basis. I do not see how it is possible for you to do it at the present time in any other way.

You take, for instance, the county in which I live, Greenville County. They produced there last year 50,000 bales of cotton at a value of about \$5,000,000. In order to induce those farmers to come into the movement and take advantage of this beneficial legislation that is to be passed by Congress, they should be allowed by this Federal farm board to create a stabilization corporation within that county, to comply with all the rules and regulations of the farm board, and as they develop and learn the value of economic cooperative effort they can be gradually absorbed into the state-wide cooperative association.

I have always been a very ardent advocate of cooperative marketing.

Another very important matter which the farm board should investigate as promptly as possible when it is created is the breaking up, if possible, of our old, primitive system of baling cotton.

We have the same bale of cotton to-day that was turned out by my grandfather 75 years ago. There has been absolutely no progress whatever, and, due to that fact, we have never had a carload rate for cotton since cotton has been grown in the south. Fourteen million or fifteen million bales of cotton produced in 1928 will be hauled by the transportation companies upon what is known as the "any commodity rate." In other words, the rate on 1,000 bales of cotton shipped from any point to New York would carry the same rate that the railroad would charge them for hauling one bale of cotton from that point to New York. The only rebate that is given by the railroad at all is the cost of the recompression, which is 18 cents per 100 pounds, in order that they may get more bales of cotton into a box car. They start out with three box cars carrying

100 bales of cotton. It is carried in that way to the first big cotton compress, and then they put that 100 bales of cotton into two cars. It is carried in two cars to the portside, where it is recompressed again. All of that handling cost is charged to the cotton grower. He pays all of the fixed charges. That system has brought upon us the reputation of sending into the commerce of the world the most disreputable package that enters into commercial channels anywhere in the world, and, at the same time, the most valuable package. That is due to the fact that we have persisted, or, rather, those who handle our cotton for us have persisted in carrying forward this old, primitive, wasteful method, which amounts to more than \$100,000,000 to \$150,000,000 a year of actual loss.

Now, when you come to this method of baling cotton, I say that the board should have broad powers to fully investigate all of these matters which pertain to agricultural reform in the development of a better method of handling American cotton, and they should undertake to work this out in cooperation with the farmers so as to give the producers every possible advantage that they can receive.

Now, Mr. Chairman, I do not know that I have anything further to say, unless you want to ask me some questions.

Mr. ASWELL. I would like to get an intimation of what you would do with reference to the packing or baling of cotton. How would you do it?

Mr. JORDAN. I would do it by high-density gin compression, just as Japanese cotton and India cotton is compressed. There were over 650,000 bales of high-density compressed cotton handled last year.

Mr. ASWELL. Do you say that the board should be given authority to apply that change?

Mr. JORDAN. No; I do not say that the board could do that, but the board could investigate those matters and might recommend legislation. For instance, you might take the bill introduced by Mr. Fulmer, which calls for the sale of cotton by net weight, and that would lead right on to high-density gin compression. We are to-day operating under an old, arbitrary rule put upon this country by Liverpool 40 years ago, and we have been absolutely compelled to operate under that rule by which we, in selling our cotton, have to stand for a deduction of 6 per cent of the gross weight.

Mr. ASWELL. How could you change that?

Mr. JORDAN. By the enactment of a bill which is before Congress, putting cotton on a net-weight basis.

Mr. ASWELL. That has nothing to do with Liverpool or England. Why would they have to change it?

Mr. JORDAN. Liverpool would have to buy cotton from us on the net weight basis. The farmer sells by gross weight, but the spinner sells by net weight. All of our cotton that goes abroad goes on the c. i. f.-6 basis, which means, "Cost, freight, insurance, and 6 per cent deduction for tare." Insurance, freight, and tare represent a charge on every bale of cotton that the farmer sells.

Mr. ASWELL. What assurance have you that England would not continue deducting the 6 per cent?

Mr. JORDAN. They would be very glad to put it on a net-weight basis. That deduction of 6 per cent is made because that cotton goes there with from 16 to 30 pounds of bagging and ties on it.

Mr. ASWELL. We would want to be sure first that they would not still deduct the 6 per cent.

Mr. JORDAN. I do not think we are in a position where England or any other country can dictate to this country what it shall do.

Mr. ASWELL. That is not the point at all. My question is what assurance have you that you will be able to get it on the net-weight basis?

Mr. JORDAN. I have this assurance: I have attended five or six sessions of the International Federation of Master Cotton Spinners and Manufacturers in different countries in Europe, and I have never attended a single session but what they passed resolutions condemning the American cotton bale with a jute bagging cover, and recommending that it be put up under high-density gin compression, and covered with closely woven burlap, and sold by net weight.

Mr. ASWELL. You referred to having the farmers sign an agreement next year to plant 12 acres of land used for cotton this year in some other crop. Could this board be authorized to direct him to do that?

Mr. JORDAN. I said that it ought to go into the contract.

Mr. ASWELL. Who would authorize that contract?

Mr. JORDAN. The board.

Mr. ASWELL. The board would fix that?

Mr. JORDAN. I think the board would fix the rules under which they would operate. If the board did not lend it, of course, they might go to some other source.

Mr. ASWELL. Suppose the farmers signed the agreement and did not live up to it.

Mr. JORDAN. That is a problem.

Mr. JONES. You stated that you favored a federalized warehouse: Would you stop the operation of State warehouse systems, or would you require them to take out licenses also?

Mr. JORDAN. I think it would be better to have all of them federalized.

Mr. JONES. You think it would be better to have a federalization requirement, even though they were licensed by the States?

Mr. JORDAN. Yes; because it gives you really a safer certificate or warehouse receipt.

Mr. JONES. I know that there is a good deal of loss, especially on a small local market in the grading of cotton by local buyers. Is it your thought that if you had a federalized system you could have an accurate method of grading so that the price of whatever grade it might be would be reflected back to the farmer?

Mr. JORDAN. The manager of this warehouse would be at least as good a grader or stapler as the local buyers who buy cotton. That is done now. For instance, take Orangeburg County, S. C., and they have a local cooperative-marketing association there that employs a grader. They pay him three or four thousand dollars a year. He assesses each bale of cotton 25 cents and he grades and staples every bale of cotton they bring in, and offers it to the buyer. In that way, they have developed a very satisfactory system.

Mr. JONES. But they do not all have the advantage of that system.

Mr. JORDAN. A very few of them have. There is one county in South Carolina that has it. I do not know of any other county in

the State that does it, but if this stabilization-corporation proposition starts along, you will probably get all of these seven or eight hundred cotton-growing counties interested in that. Each one of them will want to organize that particular county in order to get the benefit of this service.

Mr. JONES. You mentioned stabilization corporations: Is it your thought that they should be controlled exclusively by the cooperatives, or do you think that the board should be also authorized, if they found it necessary or desirable, to organize independent stabilization corporations?

Mr. JORDAN. I think that in the beginning it would be very unwise for the board to place the absolute control of these stabilization corporations in the cotton belt in the cooperatives.

Mr. JONES. Why.

Mr. JORDAN. Because they have such a few members. If you will take Georgia, for instance, I do not think they have more than 4,000 members. I think that everything should be done to build up those cooperatives just as fast as possible, but if you want to reach the great mass of the cotton growers, particularly the landlords who own the land and look after their tenants, you will have to start with the county as the unit.

Mr. JONES. In other words, you would prefer to have the stabilization corporation put under the cooperatives, but you would not limit it in that way.

Mr. JORDAN. No, sir; I would not limit it. I would prefer it, because I think that everything should be done to build up the cooperative marketing associations as rapidly as possible.

Mr. JONES. You think it would be unwise to have the bill in terms to limit the board, so as to provide that the stabilization corporation be placed solely under the cooperatives?

Mr. JORDAN. Yes. Your farm-relief plan should reach as many people as can be reached in order to benefit the farmers.

Mr. FULMER. Mr. Jordan, you were asked the question a while ago as to whether or not Liverpool would buy our cotton on the net-weight basis if we should make that change in this country. Is it not a fact that this is the only country in the world that sells cotton on the gross-weight basis?

Mr. JORDAN. Yes; that is true. Cotton from every other country in the world is sold on the net-weight basis. It is sold at Liverpool on the net-weight basis, and every bale of American cotton that goes to Liverpool is delivered on a net-weight contract; but they have figured out that it will require about 80 pounds of bagging to cover that bale of cotton, to that, in order to make it uniform, they just passed a resolution over there that they would assess each bale of cotton 6 per cent gross weight. That 6 per cent gross weight is put on it in this country, and not after it gets to Liverpool. That is done in this country.

When they buy it over there, if a man buys 100 bales of cotton at an average weight of 50,000 pounds, he gets the 50,000 pounds of cotton less the tare of 3,000 pounds, and buys 47,000 pounds of lint cotton. Therefore the farmer must pay for the bagging and ties. This is a loss. He is one of the very few men in this country that that does apply to, because in nearly every other instance where

we buy we pay the full charge for the tare. For instance, you may buy a 100-pound sack of flour, but you get only 96 pounds of flour. The other 4 pounds is represented by the sack in which the flour is marketed. We use two or three million tons of guano in the South, but, as any fertilizer manufacturer will tell you, they charge 30 or 35 cents for every 200-pound sack of guano. The cotton farmer nor only has to pay for 22 pounds of jute bagging and ties on a bale of cotton, but he has got to stand a deduction of 30 pounds, in which transaction he loses 8 pounds of lint cotton.

Mr. FULMER. That is because the price made by the mill is made on the basis of lint cotton, with a 30-pound allowance for tare.

Mr. JORDAN. Yes. That is a fixed charge. The tare is a fixed charge; the insurance is a fixed charge; the recompression is a fixed charge; and the freight is a fixed charge. If they were not fixed charges, you would get the Liverpool price in America, although there is a difference of \$10 or \$12. That \$10 or \$12 is absorbed by the deduction on account of tare, of freight, insurance, and so forth. That is what makes up the difference between the Liverpool market and the American market.

Mr. FULMER. How do you feel about placing a tariff on jute products coming into this country?

Mr. JORDAN. I am heartily in favor of putting a tariff on jute; and, so far as it relates to cotton, I would make it high enough to put an embargo on it, because it is displacing about 1,000,000 bales of our cotton for domestic consumption. Consequently, that is a very serious matter with the cotton growers. There are about 1,000,000,000 yards of jute bagging and cloth being imported into this country every year. There are 1,000,000,000 yards, which is more than the entire output of heavy cotton goods from cotton mills in the United States. I think their entire output is 976,000,000 yards.

Mr. HALL. How do they wrap up bales of cotton in India, where the jute comes from?

Mr. JORDAN. They use a closely woven burlap.

Mr. HALL. Is it made of jute?

Mr. JORDAN. Yes.

Mr. HALL. But it is closely woven.

Mr. JORDAN. It is very closely woven, and the cotton is gin compressed on presses that are manufactured by the Shaw Co. of Manchester. I have been through their factories. The India crop is also covered by closely woven burlap. This is the only country in the world that uses heavy, coarse jute bagging. There is not a cotton mill in the world that wants it to come in their establishment in that way, because when you come to the point of stripping off the bagging there is a layer of lint cotton that adheres to the jute fiber, which strips off that lint, so that they have to use it for waste purposes at a price of 3 or 4 cents per pound, when it probably costs them from 20 to 22 cents per pound.

Mr. HALL. Why does the trade persist in using this jute bagging?

Mr. JORDAN. It is because of our old primitive system of baling. If you take a great big heavy bale of cotton and compress it to a density of 12 pounds to the cubic foot, you could not put your hooks in it to handle it if it were covered by a closely woven bagging. If you did, it would tear it to pieces. So the world is helpless.

in that matter. We control the production of cotton. That is where we have a monopoly. There is not an English spinner to-day who would buy a single bale of American cotton if he could buy the same kind or grade of staple from some other country that would put it on the market in a decent manner. They have told me that a hundred times, but they are helpless.

Mr. HALL. It is up to the cotton grower to devise a better practice, is it not?

Mr. JORDAN. No, sir; it is a matter for the ginneries. You understand that our ginneries are not owned by farmers like they were when I was a boy, but they are large, expensive institutions. It is a matter between the ginneries and the railroads. If you put an interpretation on world density gin compression as a compression that would give a density of 34 pounds per cubic foot, and put 100 bales of that cotton in a box car, and then if you passed a law requiring the Interstate Commerce Commission to force the railroads to give a carload rate on cotton, there would be no trouble in the world about it.

Mr. LARSEN. Mr. Jordan you spoke of an official grader or stapler?

Mr. JORDAN. Yes.

Mr. LARSEN. Would you also favor an official weigher?

Mr. JORDAN. He would be the same man.

Mr. LARSEN. You did not include that in your statement.

Mr. JORDAN. He would be right there in charge of the warehouse, and would weigh, staple, or grade the cotton.

Mr. LARSEN. One difficulty which everybody who handles cotton, or who advances money on it meets, is that the cotton loses considerable weight, at least, until exported.

Mr. JORDAN. You understand that in reaching the price for the farmer, there is always a deduction of 6 pounds to the bale. That is one of the fixed charges.

Mr. LARSEN. Is it your idea that when the official weigher weighs a bale of cotton, that bale of cotton could be accepted at that weight the world over?

Mr. JORDAN. No; not the world over, but as between the farmer and the buyer.

Mr. LARSEN. What would be the effect when the cotton reached Liverpool?

Mr. JORDAN. Cotton gains in weight in going across the Atlantic.

Mr. LARSEN. Who would get that advantage?

Mr. JORDAN. The American exporter. As you understand, every bale of cotton contains 8 per cent moisture, or 40 pounds of water.

Mr. LARSEN. I know that, and I wanted to bring that point out. You say that there is a 6 per cent deduction for bagging and ties.

Mr. JORDAN. For tare; yes.

Mr. LARSEN. And then they allow what percentage for water?

Mr. JORDAN. Eight per cent is allowed. If there is more than that percentage, they come back to the exporter under a special agreement for a reclamation.

Mr. LARSEN. So that a bale of cotton, after deducting the tare and adding to it the amount allowed for moisture, really gains about 2 per cent.

Mr. JORDAN. There is one-sixth loss and on the other there is a one-eighth gain. There is really a gain of about 2 per cent. A bale of cotton weighing 500 pounds when it leaves here is 510 pounds net when it gets to Liverpool.

Mr. LARSEN. It does not make that gain while it is in the farmers hands.

Mr. JORDAN. It gains in the hands of the exporter. The farmer does not get anything for that.

Mr. LARSEN. He does not get anything for that at all.

Mr. JORDAN. No. They may have a way of getting a rebate over there. I do not know about that.

Mr. LARSEN. If you are going to have an official weigher, grader, and stapler, provided by the Government, why not make that the standard weight, and get rid of the tare?

Mr. JORDAN. If you had high density gin compression for every bale of cotton, you could do that, because there would be no change in the weight.

Mr. LARSEN. That would do away with the net-weight scheme now being advocated, and would solve the whole problem.

Mr. JORDAN. If you had high-density gin compression, you would cut your marine insurance and could get three bales of cotton where you now put one.

Mr. LARSEN. And that would relieve the dissatisfaction that exists on the part of the farmers, and they would be paid the full value of their cotton, without those deductions.

Mr. JORDAN. I think that is one of the sources of a great opportunity for economic reform in the cotton industry. The greatest opportunity for reform that I know of is in that manner of handling and bailing cotton.

Mr. LARSEN. That would solve the whole problem.

Mr. JORDAN. Yes.

Mr. LARSEN. Under the present conditions, the Government agents, I believe, will grade a man's cotton, will they not?

Mr. JORDAN. Yes.

Mr. LARSEN. But the difficulty is that the local buyer will not accept the grades when they are made by that official.

Mr. JORDAN. We have no Government agency at the local interior markets where cotton is sampled.

Mr. LARSEN. But you can take an appeal from the grading of your cotton.

Mr. JORDAN. But when a farmer brings a bale of cotton to market he wants to sell it.

Mr. LARSEN. But if he questions the grading he can, nevertheless, have it graded by an expert Government grader.

Mr. JORDAN. I suppose he could by going through a great deal of machinery and waiting probably a month or two months to get his return.

Mr. LARSEN. He might have it graded before he sold it. The difficulty is to get the local buyer, or, for that matter, any buyer, to accept the grade made by the official grader. Now, is it your idea that you would have this cotton graded by an official under bond, and who would weigh the cotton and make the grades official?

Mr. JORDAN. It would be better.

Mr. LARSEN. And make it binding upon everybody.

Mr. JORDAN. It would not be binding.

Mr. LARSEN. It would be binding, or at least it would be prima facie evidence of the grade. Might it not be binding as to the grade if they came into the courts?

Mr. JORDAN. Yes.

Mr. FULMER. I would like to ask one or two other questions: Do you believe that the bill for net weight basis for selling cotton that you mentioned a while ago is of such importance in the way of eliminating waste and effecting a saving to the farmers that it really should be brought up at this extra session of Congress, along with other lines of farm relief?

Mr. JORDAN. I think the board should be given broad powers in that respect, so that they could investigate and look into those matters.

Mr. FULMER. What I have in mind is the reintroducing the net weight bill with the hope of passing it at this extra session.

Mr. JORDAN. Certainly; that should be done.

Mr. FULMER. Is it not a fact that this is the only cotton country in the world that uses more than 3 per cent in tare on cotton? The other countries use about 3 per cent tare, do they not?

Mr. JORDAN. I doubt if it is that much, because if you were to buy a 500 pound bale of cotton and cover it with 4 yards of cotton bagging, weighing 2 pounds to the yard, with 7 light bands weighing 11 pounds, it would not be over 2 per cent. I do not believe that would apply to Egyptian cotton because those bales weigh up to 750 pounds, and the bales are covered absolutely.

Mr. LARSEN. I would like to ask unanimous consent to submit one more question.

The CHAIRMAN. Without objection, you may proceed.

Mr. LARSEN. Do the American spinners in using American cotton make any deduction for tare when the farmer sells to the mill direct?

Mr. JORDAN. I think that in the South they have an allowance on the price of cotton of 24 pounds to the bale. Every bale of cotton in the South is sold upon the basis of the New York market price for $\frac{7}{8}$ -inch staple, middling grade, and if a man has any longer staple cotton he does not get any more for it than he does for the $\frac{7}{8}$ -inch grade. There is another thing, and that is all of our cotton has to stand the Liverpool regulations, because the American exporter or the domestic-buyer of our cotton does not pay any more for it than the Liverpool exporter does.

Mr. LARSEN. I would like to have you discuss the question of the character of cotton, if you will.

Mr. JORDAN. I have been doing a good deal of work along that line. I have held hundreds of demonstrations, or field demonstrations, every year, in order to teach the farmers to grow a better staple or a longer staple of cotton. They are quite willing to do that, but the difficulty is that if he plants $1\frac{1}{8}$ -inch pedigreed seed and fertilizes the land well, and undertakes to produce it, and he does produce a staple of that length, when he goes on the market to sell it, the only price he gets is the price for the $\frac{7}{8}$ -inch staple. Consequently, he has no inducement to do it. If that could be done, we would immediately build up our standards of cotton.

Mr. FORT. Is this matter of changing the compression of cotton, so as to avoid a lot of those difficulties, any more difficult of adjustment by a farm board properly organized than it would be to change the net weight rule by legislation?

Mr. JORDAN. No.

Mr. FORT. Would you give the Federal farm board power to act on the matter of compression?

Mr. JORDAN. We would be delighted to have it done by the board in that way, if possible. I think it would be one of the greatest economic reforms that could possibly be worked out for the cotton-growing industry.

Mr. BRIGHAM. Mr. Jordan, I was much interested in your plan to prevent the accumulation of surpluses, which I understand to be that each producer will be required to decrease his acreage by a certain amount according to the surplus that is in the warehouse.

Mr. JORDAN. His percentage.

Mr. BRIGHAM. Now, the statistics show that there is a constant extension of cotton acreage to new lands to the west and north of the Cotton Belt. What would you do to prevent the extension of acreage to these new lands?

Mr. JORDAN. I do not know that you could prevent it, particularly in western Texas.

Mr. BRIGHAM. And if you could not prevent it and you were able to maintain a fair price, a remunerative price, you would expect to have an accumulation of your surplus, would you not?

Mr. JORDAN. You might; but you understand that we have never produced a so-called surplus of cotton that was not completely consumed in from 12 to 15 months after it was harvested. Take the crop of 1920, in which year we produced the largest so-called surplus in the history of the South, which amounted to 10,000,000 bales more than was required in that 12-month cotton year. The result of that surplus was that the price went down to 9 and 10 cents per pound when the farmer sold it or dumped it, and yet it went into channels of consumption 12 months later at 22 cents a pound.

Mr. BRIGHAM. Yes; but did not the reduction in the price result in a decreased acreage the following year?

Mr. JORDAN. No, sir; it did not result in a decreased acreage, but the boll weevil came along in 1921 and pretty nearly ruined the whole crop. We produced only seven and one-half million bales of cotton in that year.

Mr. BRIGHAM. But if you had planted the same acreage and had the same crop, you would have had an accumulation?

Mr. JORDAN. You can not do that. If every man who retires his cotton will sign that agreement, and live up to it, you can not have that increase.

Mr. BRIGHAM. That is true; but I do not see how you can stop the extension to new lands.

Mr. JORDAN. The extension is slow.

Mr. BRIGHAM. If the price were larger, would it not be much more extensive?

Mr. JORDAN. Of course, when the price of cotton goes very high, a great many people who plant wheat and corn will go into cotton.

Mr. BRIGHAM. Is it not necessary for you to devise some scheme as a corollary to yours in order to prevent that?

Mr. JORDAN. There is only one other method you could pursue, and that would be for each State to pass a drastic law to prohibit the planting of more than a stipulated amount of cotton per plow.

Mr. BRIGHAM. That is all.

Mr. KETCHAM. Mr. Jordan, we are very grateful to you, I am sure, for your testimony.

(The brief submitted by Mr. Jordan is as follows:)

BRIEF OF HARVIE JORDAN, COTTON GROWER AND MANAGING DIRECTOR OF THE AMERICAN COTTON ASSOCIATION BETTER FARMING CAMPAIGN, GREENVILLE, S. C., BEFORE THE HOUSE AGRICULTURAL COMMITTEE ON FEDERAL FARM RELIEF, MARCH 27, 1929

Mr. Chairman and gentlemen of the committee, I appear before you as a cotton grower in Georgia of 50 years' experience and as an official of cotton growers' associations for the past 35 years.

Economic reforms in more efficient methods of production, handling, and marketing of spot cotton in the cotton-growing States are vitally essential for the future rehabilitation of the industry. Since 1920 great financial depression has prevailed among the 2,700,000 adult cotton growers, whose average gross income per family has not exceeded \$600 per annum. Thousands of cotton farms and plantations have been totally abandoned, and hundreds of thousands of farmers, farm laborers, and tenants have migrated into other lines of industry to secure a living wage and comfortable livelihood. Productive farm lands in many sections of the cotton States have become a liability to their owners, while thousands of mortgaged farms have been, and are being, absorbed by large land-loan companies and the Federal farm-land banks.

The production and exports of American cotton for the past 40 years has been the leading factor in maintaining the annual balance of trade in favor of the United States in its international commerce. The capital and labor employed in the production of raw cotton, the manufacture and distribution of cotton fabrics, exceeds that of any other industry of the Nation. The product is not only a national but a world-wide necessity to human civilization, and its monopolistic control by this country should procure for the producers a highly prosperous and profitable industry. Proper relief from the existing intolerable conditions of the cotton growers should be of deepest concern to the Federal Government and the entire business interests of the Nation. No other country in the world possesses a similar monopolistic control of a staple world necessity.

ECONOMIZING PRODUCTION

Modern agriculture in the cotton-growing industry must take its place in modern efficiency. The planting of an excessive acreage per plow, minimum fertilization, inefficient culture, and low yields per acre at high level of cost for production have ceased to be profitable. The intensive culture of cotton, raising abundant food and feed crops with systematic crop rotation to rebuild the soils, and the use of labor-saving farm machinery are reforms in crop operations which are vital to success. This is a type of reform largely individualistic and can only be solved successfully by ocular field-demonstration work along lines of sound practice which will appeal to the growers and receive their cooperation and support. This association has successfully trained and secured splendid profitable results with thousands of cotton growers who have adopted the plan for intensive culture in the past six years.

FEDERAL FARM RELIEF

No government can legislate prosperity into any people or industry unless the beneficiaries of such legislation take full advantage of the opportunities presented. Sound and practical measures for farm relief have been pledged to American agriculture by President Hoover and the Republican Party, which will be in control of the Seventy-first Congress, and those pledges we believe will be faithfully enacted into satisfactory Federal legislation. The legislation proposed is largely intended to stabilize the prices of staple farm products, control the temporary surpluses of such crops before they leave the hands of the pro-

ducers, encourage the organization and effective operation of cooperative marketing associations and stabilization corporations, provide ample financial loans on surpluses held to prevent glutted markets, and by adequate protective duties levied against imports of competitive agricultural products place agriculture on a basis of equality with business industry in the United States. Agriculture as the fundamental basic industry of the Nation should be protected and fostered by the Federal Government to the fullest extent of its powers under the American Constitution. To the proposed farm-relief measures we subscribe our unqualified indorsement.

RELIEF FOR THE COTTON-GROWING INDUSTRY

In behalf of the cotton-growing industry, I beg to present herewith the following relief planks as essential and imperative for congressional consideration and approval:

Plank No. 1: The creation of a Federal farm board, whose members shall be representative farmers with powers of supervision granted, and drawn from the various agricultural sections of the Nation, to be appointed by the President and confirmed by the Senate.

Plank No. 2: That support and encouragement to the fullest extent be provided for the rapid organization and expansion of cooperative marketing and stabilization corporations throughout the Cotton Belt States for county, district, or state-wide organizations, to be chartered and vested with powers to fully represent their membership in all business dealings and operations granted by the Federal farm board.

Plank No. 3: That a revolving fund of not less than \$100,000,000 be created and made available from the Treasury of the United States, as needed for loans to cotton growers for retiring the estimated temporary surplus of cotton from the market each year of such surplus in the cotton year in which such surplus is harvested. The loans on such cotton retired to be made through cooperative marketing associations and stabilizing corporations, under the supervision of the Federal farm board. Cotton bales purchased from growers to be retired as a part of such temporary surplus shall be held in the names of the grower members of the cooperative marketing associations and stabilization corporations until such cotton is sold to spinners when needed, and the profits, after original purchase price, interest, and other legal charges are paid, to be paid to the original producing members. If the temporary cotton surplus is removed from the market each year until needed by the mills it is felt that the 75 or 85 per cent of the market value of such cotton in loans will be equal to the full market value of the entire bale if dumped into the markets and sold under the depressing price influence of a surplus.

Every bale of such surplus cotton retired and deposited into local or concentrating warehouses, where the same is bonded and insured, should be done under a trust agreement signed by the owner or owners that such cotton will not be released for sale under 12 to 15 months, or such time as the staple is actually required in the channels of commerce for spinners' consumption. This would automatically fix the market price of spot cotton by the legitimate laws of supply and consumption, which the cotton-growing industry has never enjoyed under existing systems of dumping the surplus in connection with such portion of the crop as is required for consumption during the cotton year in which the crop is harvested. For preventing an expansion of cotton acreage and producing an additional unwieldy surplus the following year, each member retiring a part of his crop into the surplus stored should be required to sign as a part of the trust agreement to his association or corporation that the acreage upon which his pro rata part of the surplus was harvested that year will be planted in crops other than cotton the following year.

With the ability to retire and control the cotton surplus until needed by the mills, the price of spot cotton will be forced to operate under the legitimate laws of regulating the supply to meet the actual needs of consumption regardless of manipulation and speculation intended to artificially control spot markets.

Plank No. 4: That the Federal farm board be authorized and empowered to apply the Federal warehouse act as rapidly as possible to every local or concentrating cotton warehouse in the counties and States of the Cotton Belt. That provision be made for the employment of expert cotton graders and staplers to be placed in charge of such warehouses. That such Federal warehouse employees be required to receive, weigh, grade, and staple each bale of

cotton brought to such warehouses for local sale, so that the growers can demand from the local buyers the full market price based upon the grade and staple of his cotton, including premium values of staples in excess of $\frac{3}{8}$ -inch length.

Plank No. 5: That the Senate bill, introduced by Senator Ransdell, of Louisiana, fixing higher duties on imports of raw jute and manufactured jute-cloth bagging, be promptly enacted into law. In 1928 statistics show total shipments of jute-burlap cloth into the United States were in excess of 1,000,000,000 yards. The total output in 1928 from our domestic mills of single filling cotton duck, 46,000,000 yards, all osnaburgs, 70,000,000 yards, all drills 40 inches and less, 113,000,000 yards and all sheetings 40 inches and narrower, 747,000,000 million yards, a total of 976,000,000 yards, or less than the imported yardage of jute burlap. It would require the annual consumption of 1,000,000 bales of raw cotton to supply the total imports of jute, and the domestic mills and cotton growers are vitally interested in checking these enormous imports of a foreign-grown fiber which so seriously competes with American cotton in production and manufacture. It would require the production from 5,000,000 acres of cotton to supply fiber equal to jute imports on a relative basis of pound for pound, or approximately one-ninth of the entire present cotton acreage of the United States. That the bill pending in Congress requiring the general adoption for a uniform covering for cotton bales, of cotton cloth or jute, and all cotton bales be bought and sold under the net-weight contract instead of the present unjust regulations for deducting tare on a percentage basis of the gross weight of the bales, be enacted into law.

Plank No. 6: That the Federal farm board be empowered to investigate the present expensive and wasteful system of baling American cotton, which has been denounced by spinners throughout the world, and to encourage as fast as practicable the introduction of high density gin compression into the public gins of the cotton States. High density gin compression will force the railroads to grant carload rates on cotton bales; it will check the extra expense of recompression, waste in handling and sampling; enable the growers to use cotton bagging; enforce the net-weight contract and otherwise place into the channels of commerce a neat, economic package which will reflect credit upon the great staple crop of this Nation and save millions of dollars annually to the growers. There is no department of the cotton-growing industry which needs economic reform more than that of baling adjustment of tare and sale of cotton by net weight, because there is where the heaviest expense and greatest waste occurs.

Plank No. 7: The time has come in the international commerce of this Nation with other countries when a protective tariff levied on the imports of competitive agricultural products into the United States is imperative as a safeguard to American agriculture. The tariff necessity has ceased to be a partisan political question and is indorsed as a sound business policy of protection by both of the leading parties. If agriculture is to be placed on a parity of equality with business industry, the protection of a tariff must be utilized to the fullest extent in behalf of agriculture. An import duty on all classes of agricultural products entering into the United States should be fixed and maintained high enough to cover the cost of production of similar products in this country and to prepare them for the market. For the Southern States especially, necessary import duties should be applied against all forms of vegetable oils, peanuts, vegetables, and fruits. A duty of not less than 10 cents per pound should be levied against imports of Egyptian long-staple cotton as a protection to the long-staple growers of the United States. A duty of 5 cents per pound to be levied against imports of short-staple cotton from whatever country imported.

BROAD POWERS FOR FARM BOARD

Cooperative marketing and stabilization corporations alone will not solve the problem of rehabilitation of the cotton-growing industry. County unit organizations among the growers must be developed if the rank and file of the farmers are to be reached and benefited through the medium of cooperative effort and every encouragement to that end, as well as gradually promoting the state-wide cooperative associations should be made. Economic production, reforms in baling, tare, and distribution of cotton into channels of commerce should be thoughtfully studied, and such reforms be encouraged by the farm board along sound, practical, and efficient lines. To the successful attainment of these

ends broad powers should be given to the Federal farm board under the Federal farm relief legislation which is to be enacted by the Seventy-first Congress.

In conclusion, I wish to indorse the general principles and methods for farm relief legislation as laid down in the bill of Senator Charles L. McNary introduced in the Senate December 5, 1928.

Mr. KETCHAM. Mr. Amorous, will you take the stand?

STATEMENT OF MARTIN AMOROUS, MARIETTA, GA.

Mr. AMOROUS. Mr. Chairman and gentlemen, I am only a dirt farmer and I want you to be mighty tender and kind with me.

Mr. CLARKE. We are very sympathetic with you, sir.

Mr. AMOROUS. I am probably the only dirt farmer that will probably appear before you.

To qualify as a witness on cotton marketing I will state that over 50 years ago I was employed in a cotton merchant's office; have been part owner in cotton mills and a trader on the exchanges; operated as liquidator of a large cotton warehouse in Atlanta; and have been, and am now, a farmer raising cotton. For nine years I have devoted much time to the study of the problem of cotton marketing, both in the United States and in Europe. I made a special trip over there to follow up the cotton-marketing proposition.

I am going to bring you something that the newspaper says you have not been able to get from the White House—a proposition outlined and proposed by Secretary of Commerce Hoover in June, 1921. He had a conference on industrial reform, and I was a delegate representing the National Farmers' Union, appointed by Charlie Barrett. You all know him.

Here was Mr. Hoover's proposition:

The Secretary of Agriculture to designate one or more United States bonded warehouses in each cotton-growing county, and licensed United States bonded classers.

Our friend, Harvie Jordan, said something along that same line, but I want to make it more positive.

Farmers may deposit their cotton in these warehouses and receive a certificate of integrity as to weight, class, staple, and condition of each bale; ownership of the cotton to pass on sale of the certificate.

This plan originated with Secretary Hoover in June, 1921, at a conference called by him at which, under appointment of Mr. Charles S. Barrett, national president of the Farmers' Union, I represented the national farm organizations.

A great many wheat men were there. He proposed it for all agricultural products. There were lawyers there, and everybody else. Barney Baruch was there, and all of them; and they all argued against his proposition for two or three hours.

Then I spoke on cotton. I was operating then a United States bonded warehouse in Atlanta and had 45,000 to 50,000 bales of cotton in it. When I finished he left his chair, came through the crowd and shook me by both hands and thanked me for having attended the meeting and asked me to have a further conference with him. "Make it in the afternoon," he said, "when we won't be interrupted." And I was with him for two hours the next afternoon.

I have been advocating that proposition ever since.

Mr. HALL. When was that?

Mr. AMOROUS. In June, 1921. Some of these gentlemen might have been present there.

Mr. HALL. That was eight years ago.

Mr. AMOROUS. Yes. It is still good, and you have not had anything else from him yet that I have seen.

The marketing of the farmers' cotton, in prices paid the farmer, is controlled by the United States cotton futures act, the United States cotton standards act, and the United States crop reporting act, and regulations under these laws fixed by the Secretary of Agriculture. I do not suppose any of you gentlemen have ever read the United States cotton futures act, the standards act, and so forth. They are on record, and that is the way the cotton is marketed.

The Department of Agriculture, on July 31 of each year, makes the crop. The farmer does not make it. The Department of Agriculture fixes the salable class and quality, and, through the sentimental impulses of the traders on the New York exchange, fixes the price.

Under this system there are three prices the same day for cotton: First, the New York price, which controls every street buyer in the United States; second, the differential grade prices as fixed by the committees on the spot market exchanges, from 2 to 10 cents lower than the base price at New York. Now, these 10 authorized spot markets are fixed and controlled by the Secretary of Agriculture. Third, the price paid by the mills for even-running lots of special staple; from 3 to 16 cents a pound above the New York prices.

Loans on cotton warehouse receipts to-day are liquid reserves in all banks. Mr. Jordan told you about making loans on these receipts, and so forth. But we can force all the banks, in the South anyhow, to loan only on these United States bonded warehouse receipts, if they are going to use them as liquid reserves.

A cotton pool of all the banks of the South could from time to time declare a safe loan value in cotton at a limit which would make cotton pass current all over the world above the loan value.

Mr. Asa G. Candler, of Atlanta, in 1914, when cotton was begging sale at 5 cents and less per pound, published in the papers that he would loan 6 cents per pound on 1,000,000 bales. Promptly the trade advanced the price to $7\frac{1}{2}$ cents, and bought up the entire crop. Mr. Candler only had to loan on 15,000 bales. The market took the balance.

Mr. CLARKE. Was that the Coca-Cola man?

Mr. AMOROUS. The Coca-Cola man; yes; an old friend of mine. The poor fellow died the other day; the best man that ever lived.

Now, what could the combined southern banks do to control the price value in the entire crop if Mr Candler alone did that in 1914 for 1,000,000 bales?

Mr. Nac Dimer, president of the City National Bank of Fort Smith, Ark., agrees to put \$1,000,000 into this pool of the bankers; and Martin Amorous, who is talking to you right now, agrees to put \$100,000 credit behind it. It will only need, to control the entire crop, an average of \$28,000 credit—no money—for each of the southern banks. Whatever they agree on the loan value will make cotton pass current all over the world for more than the price that they put at the loan value; and I agree to put up \$100,000 behind

it to guarantee it, too. I am not coming here and talking about what your ought to do, and so forth, without being able to join you in doing it.

You can create a cotton farm board and can supply them a loan fund to be used in their discretion by loan values on cotton to stabilize prices within the ability of the market to consume the cotton without a single dollar lost to the Government. I claim that you do not need to appropriate a single dollar from the Government to stabilize the prices of cotton.

The cotton farmer is bankrupt, as I said before the Senate committee, through a rotten system of marketing created by the United States Congress and the inexperienced and inefficient administration of the law by the Secretary of Agriculture; and I am here to defend that proposition. That is the situation to-day. They have fixed nine grades of cotton. There is not a single man in the employ of the Government who can write or print a description of those nine grades so that any intelligent man, in Congress or out of Congress, can go out and pick out a bale of that particular grade. They publish them as being universal standards, good in Europe and all that sort of business, and yet they make a signed contract with those European exchanges that no staple standards and no staple determination shall be considered in these universal grades. The law fixes in the New York exchange a limit of trading in one grade of cotton, middling, or seven-eighths inch staple and longer, and yet they go and contract with these European exchanges not to consider any staple length in any grade and at the same time they make a grade for middling, which is No. 5 of the nine grades.

They have from No. 1 to No. 9, and there has not been a single farmer in the whole United States that has been paid for a No. 1 grade of cotton in 10 years on any market—Houston, Galveston, New Orleans, or anywhere else. And yet they allow these local exchanges, these 10 spot markets, to use a designated price for No. 1 in order to fix the averages for settlements on the trades for deliveries on the New York Cotton Exchange, when the law says that these averages of these prices shall be reported by these various spot markets on actual sales, and they have not sold a bale of 1, 2, or 3 in 10 years.

I say, that is inexperience on the part of the Agricultural Department. It affects the price. These 10 spot markets make the price from day to day on every grade except middling, which is traded in on the New York exchange as a base, and then they use those, through the Agricultural Department, for averages in fixing the price of settlements for deliveries of cotton on the New York Cotton Exchange. They just do not know what they are doing. And they talk about the law of supply and demand. Cotton is priced, and we farmers have got to sell it accordingly.

The Department of Agriculture, on September 15, 1926, at Montgomery, Ala., checked up on 5 bales of cotton sold by 5 different farmers to buyers on the streets. They found that each of those 5 bales was $\frac{7}{8}$ -inch staple, and all of the same grade, middling. Yet one farmer only got 9 cents, and another got 15.55 cents for it; a difference between the highest and the lowest of \$32.50 a bale.

There is not a cotton buyer that does not buy safe on grade. You can fix by law, if you want to, the price for cotton—the base would

be middling—and then leave the determination of the grade to the buyers, and they will buy it at anywhere from 6 to 10 cents a pound less.

In the matter of supply they give us a report on July 31 each year of what we are going to raise in cotton—a forecast—and it is field-run cotton; yet there is not a mill in the country that does not buy special even-running lots of a fixed staple. It might be seven-eighths inch, one and one-sixteenth, fifteen-sixteenths, and so on, and they pay anywhere from 3 to 16 cents a pound more, as a premium for this cotton, than the market price.

Those are things, gentlemen, that you have authority to correct, because you put it on the farmer.

Now the only hope of the farmer is through this Government bonded warehouse and the Government bonded classers that will put into every bale that the farmer deposits there the correct grading. They are doing it. The Secretary of Agriculture is doing it for the New York Cotton Exchange, the New Orleans Cotton Exchange, and the Chicago Cotton Exchange to-day. You buy a hundred bales of cotton on any one of those exchanges and you have got to take from the seller the 100 bales of cotton by a certificate issued by the Government classer. Now why not extend that to all cotton-growing counties; to each farmer; and give him the same protection?

One street buyer in Marietta, Ga., my town, made the statement the other day that he often sells the cotton he buys from the farmer for three to four grades higher than he bought it from the farmer. There is where the robbery goes on. They have got to buy safe; that is what they say.

The Department of Agriculture also made a test of spinning value between the nine grades that they have established, taking cotton that was all 1-inch staple, and after the test was over the mills' report was that there was not a single cent's difference in a bale of cotton between the nine different grades. Do you know anything else that is done that way? And yet that department says, when it is talking to the millmen up here in Boston—I have got it—that the farmers ought to raise "superior cotton," higher-class cotton, and so forth, in order to have farm relief. That is the consolation we get from them.

Now, gentlemen, you must protect the farmer in his grading of cotton. The Secretary of Agriculture, under the present law, has authority to do it. He fixes the grades, and he should preserve the integrity of those grades as between the farmer and his customer, the man to whom he sells. There is not a mill in Georgia that buys a single bale of cotton from a Georgia farmer. Under the present system of marketing, cotton mills in Atlanta pay the price with freight added to New York on all the cotton they buy. So it might be shipped from me at Marietta, with only 21 cents a hundred pounds freight, and I might wagon it, and that is all they have to pay for it—the New York delivered price.

A cotton mill in Georgia has no advantage in the price it pays for this cotton over a mill in Massachusetts or a mill in England. There is not a cargo of cotton that is shipped to Europe that is not rejected—not one. There are 300 exporters in this country, and not one of them ever sells a mill direct over there. They ship it over there on consignment, just as I might send 10 or 12 packages of

tomatoes to a produce exchange, or cabbages or something else, and see what I get for them. That is what they are doing with all of our cotton.

Now, they protect themselves by hedging on the New York Cotton Exchange. All this talk about Liverpool controlling the price is not true. Every trade for cotton shipped from this country is made on the New York Cotton Exchange and its prices. They talk about the competition with other countries. There are 10,000,000 bales raised in other countries than the United States. There are 2,500,000 bales in China. It is only half-inch staple, and pink stain. Four to six million bales are raised in India; three-eighths-inch staple; dirty, dark, and greasy. It has got to be processed before it can be put into coarse carpetings and velours. I was over there and went through all this, so I know what I am talking about.

Brazil raises 500,000 bales. It is good cotton. It grows on trees, and the boll never opens. A man has to go on horseback and cut it down with a machete and let it hang for several weeks before he can pick it out. There is not a thing raised in Brazil that they don't get more for than cotton.

In India they have continuous chilly nights. We have them occasionally; and any man that knows anything about cotton knows that it stunts its growth. It is rare that they get over 50 pounds of lint cotton to the acre in India. There is where they raise most of the cotton; four to six million bales.

Germany uses more of that cotton from India than England does. there are 66,000,000 cotton spindles in England alone. There are only 37,000,000 in the United States. We produce over 60 per cent of the cotton of the world, and only spin about 20 per cent of it in this country.

These are some facts that you gentlemen ought to know. I could go on here for hours and tell you about them, because I have been working on this thing for nine years.

Mr. KETCHAM. The hour of 5.30 has arrived.

Mr. KINCHELOE. Mr. Chairman, I make a point of order. The rule that we have adopted is that if a witness is on the stand we must finish with him.

Mr. KETCHAM. The rule is that if any witness shall conclude his statement at or before 5 o'clock his cross-examination shall be concluded on the same day.

Mr. AMOROUS. I will quit and allow you to question me.

Mr. CLARKE. Do not stop until you get through.

Mr. WILLIAMS. He has a right to conclude his statement.

Mr. AMOROUS. I will not take more than two minutes. All I want to do is to impress upon you to adopt this suggestion. It does not need a new law, gentlemen. All I want you to do is to get the Secretary of Agriculture to designate one or more cotton warehouses in every cotton-growing county and licensed inspectors in order to protect the farmers in the true value of the cotton.

I will not say any more on the subject, although I could talk to you for two hours or more.

Mr. KETCHAM. The hour of 5.30 having arrived, is it the desire of the members of the committee to propound any questions to Mr. Amorous?

Mr. KINCHELOE. I suggest that you call the roll, as usual.

Mr. KETCHAM. I am rather of the opinion that when the rule is adopted to conclude our session at 5.30, that rule must be observed.

Mr. CLARKE. That is not the rule.

Mr. KINCHELOE. I beg your pardon; that is not the rule. The rule is if the witness's cross-examination has not been concluded by 5.30, that we may conclude that cross-examination.

Mr. FORT. The rule says that when the witness finishes his statement by 5 o'clock, the cross-examination shall be finished the same night.

Mr. KETCHAM. The rule says that it shall be concluded the same day. The hour of 5.30 has arrived and the witness has just concluded his statement.

Of course, we do not want to be arbitrary, or anything of that sort. The object was not to preclude anybody from asking the witness any questions. But the point is whether or not we could not have the witness here in the morning and question him then.

Mr. KINCHELOE. Ask the witness.

Mr. AMOROUS. I will stay here a week if you want me to.

Mr. CLARKE. We can sit here 10 minutes; that would not hurt any of us, and conclude the examination of the witness.

Mr. AMOROUS. I have been coming up here for eight years. I can stay a week if necessary.

Mr. KETCHAM. Do you intend to be here in the morning?

Mr. AMOROUS. I will stay here a week. I am going to appear before the Senate committee also.

Mr. KETCHAM. Do you desire to question the witness to-night, or shall we adjourn and have the witness come back to-morrow morning?

Mr. KINCHELOE. Let us call the roll.

Mr. KETCHAM. Mr. Aswell.

Mr. ASWELL. Mr. Amorous, what do you think this committee should do with reference to the bill that we are discussing?

Mr. AMOROUS. I am not a lawyer, Mr. Aswell, but I am under the impression that the Secretary of Agriculture has full authority now to designate these warehouses. He does it in New York and New Orleans and Chicago.

Mr. ASWELL. We also have a law that would enable us to do it all over the country, but what should we do with reference to the bill we are discussing here now?

Mr. AMOROUS. What bill have you before you? I brought you the only message from Mr. Hoover.

Mr. FORT. There is no rule that permits the cross-examination of a member.

Mr. ASWELL. May I ask you this question then? Should this committee, representing the agricultural interests of the country, report a bill at this time for farm relief? Do you think we should do something to bring out a bill now?

Mr. AMOROUS. Yes, sir.

Mr. ASWELL. What, for instance? You said we did not need anything.

Mr. AMOROUS. We do not need anything except this: If the banks do not put loan values where they have.

Mr. ASWELL. How would you get the banks to do what you think they ought to do?

Mr. AMOROUS. It would take some sort of credit from you folks through the farm board; that is, the use of their funds for loans. It would not cost the Government a cent. They will get every dollar of it back. It is only a loan.

Mr. ASWELL. You are in favor of the farm board, then?

Mr. AMOROUS. To that extent; yes, sir.

Mr. ASWELL. Perhaps the new Secretary of Agriculture will act more favorably.

Mr. AMOROUS. Yes; I am going to talk to him next week; I know him.

Mr. KINCHELOE. I do not want to ask any questions, but I want to make this observation. I am sorry I did not hear all of your statement, but since this capitalistic friend—and I do not envy him as to that—

Mr. AMOROUS. I am just a farmer.

Mr. KINCHELOE. I understand. But since he says that the cotton interests do not need any loan of any kind, I am sure that will be reassuring to Congressman Aswell and Congressman Jones and Congressman Larsen. If you gentlemen are all agreed with him, we will just eliminate the cotton feature from the bill.

Mr. ASWELL. You did that the first time in the McNary-Haugen bill.

Mr. KINCHELOE. Do you agree with the statement of the witness, and would you agree to eliminate any loans on cotton?

Mr. ASWELL. I do not have the \$100,000 that he has.

Mr. AMOROUS. Mr. Kincheloe, would you allow me to sort of answer your question?

Mr. KINCHELOE. Yes; but do not use all of my time.

Mr. AMOROUS. The cotton farmers generally do not have a surplus of cotton. They sell it all as soon as it is ginned. There never has been an overproduction of cotton by the cotton farmer. There are 165,000,000 cotton spindles in the world. They use an average of 200 bales to the 1,000 spindles—33,000,000 bales demand. Japan uses five or six hundred—

Mr. KINCHELOE. You are using all of my five minutes.

Now, did I understand you to say, if your theory is carried out—

Mr. AMOROUS. You have got no surplus to take care of.

Mr. KINCHELOE. Therefore you would not need any loan out of the Treasury?

Mr. AMOROUS. Unless the bankers will come up and do what they ought to do—the southern bankers.

Mr. KINCHELOE. I did not understand you to qualify it in that way.

Mr. AMOROUS. Yes, sir; I do.

Mr. KINCHELOE. If your theory were carried out and you are thoroughly committed to it—

Mr. AMOROUS (interposing). You do not need \$1 appropriation from the Treasury; no, sir.

Mr. KINCHELOE. So you are not here asking for anything?

Mr. AMOROUS. No, sir; except to use it, to make the bankers do their duty.

Mr. KINCHELOE. I see. I was just wondering—

Mr. AMOROUS (interposing). To hold it over them, and they will do what they ought to do.

Mr. KINCHELOE. I was just wondering, if they did not need any loan out of the Treasury, I am sure that would be reassuring to Congressman Aswell, Congressman Jones, and Congressman Larsen here, because that would simplify this farm legislation a great deal, and especially your contribution to that loan. That is all.

Mr. AMOROUS. I will get \$10,000,000 from outside people who do not belong to banks at all.

Mr. JONES. I just want to make this observation. I think the system of grading is an important one. I want to ask you this question, if you do not think the grades, instead of being on the basis of their usefulness on the New York and other cotton exchanges, should be on the basis of the value of the commodity for spinning mill purposes.

Mr. AMOROUS. Yes, sir. That is the proper thing.

Mr. JONES. I think you are correct in that position.

Mr. AMOROUS. Mr. Jones, the mills do not regard these standard grades in taking in their cotton.

Mr. JONES. They buy on a different basis altogether.

Mr. AMOROUS. What is best for their particular use; yes.

Mr. JONES. The actual sale of the cotton, then, is on the basis of its use for purposes on the New York Cotton Exchange rather than on its spinning uses?

Mr. AMOROUS. There were 18,000 arbitrations in Boston last year with reference to cotton shipped to those mills. Take the Palmetto Cotton Mills near me. The best firm in Georgia shipped them 3,000 bales and they rejected 1,731 on grade. There are not two experts, one representing the buyer and one representing the seller, that ever agree on 100 bales of cotton, on the correct grading of them, and no man in the country, no farmer, knows what grade his cotton is. If he did know it he could not get the buyer to take it at that grade.

Mr. JONES. What grades would you have?

Mr. AMOROUS. One made by the mills, like all other manufacturers make grades of the stuff they want; call it No. 1, and so forth. There is not a farmer that can sell No. 1.

Mr. JONES. In other words, you want to base it on its spinning value?

Mr. AMOROUS. Yes, sir; that is the way it ought to be. But until that comes, let us have this United States licensed grader to say what the farmer's cotton is.

Mr. KINCHELOE. Since you squeezed in on my time, I want to ask you cotton fellows one thing. Do you agree with the witness here that you do not need any loan out of the Federal Treasury, because we could simplify this thing very much if you do not need any.

Mr. JONES. We are not authorized to speak for all of the cotton people.

Mr. AMOROUS. We can get all the loans we want with cotton in the warehouse. We always have done that.

Mr. KINCHELOE. I was wondering if these cotton fellows on the committee agreed with you.

Of course, I do not know anything about cotton and I was wondering whether the cotton men on the committee agreed with you.

Mr. AMOROUS. You told me that about four years ago.

Mr. LARSEN. Do you think that a Government grader, stapler, and weigher would aid materially the cotton industry?

Mr. AMOROUS. It would put the integrity into the quality of the farmers' cotton; yes, sir. They used to do it for the whisky distillers. They gave them certificates. That was in your State, Mr. Kincheloe.

Mr. KINCHELOE. Yes; lots of them.

Mr. AMOROUS. And Mr. Mellon or anybody else would give you the cash on it.

Mr. KINCHELOE. Mr. Mellon, unfortunately, had not got on the scene at that time.

Mr. LARSEN. Do you think that we should have provisions in this law that would make official graders, staplers, and weighers?

Mr. AMOROUS. You have got it already in the act to-day.

Mr. LARSEN. Do you think we should have a law that would make it operative?

Mr. AMOROUS. Yes; compel the Secretary to put a man there; yes, sir.

Mr. LARSEN. Then this farm board would have the power to regulate all those things?

Mr. AMOROUS. Yes; that is, if the bankers do not make the loans like they have been doing. The bankers now make a loan and control it at 75 per cent of what the New York exchange price is and force the sale of the cotton, although they might have a note on it for nine months yet to run. I have had them do that in my warehouse.

Mr. LARSEN. That is all.

Mr. AMOROUS. That is the proper thing to do in order to help the cotton farmers. The farmers are losing millions of dollars.

There is one other point. They have a system which is authorized by the Interstate Commerce Commission of putting cotton into concentration points and then allowing a rebilling privilege from there when they ship it out.

For instance, I am a farmer, and I send my cotton from Marietta and I pay 21 cents a hundred pounds on it to Atlanta, and sell it to a dealer there. He pays the freight for me, takes up the bill, and he then reships it out to New York and the railroads give him back 90 per cent in cash as a rebate.

The farmers of Georgia lost last year, collected from them by the railroads, one million and a quarter dollars. The railroads had to rebate that to the shipper, the buyers in Atlanta and Augusta and Macon, \$1,000,000 in cash. I say they ought to abolish the rebilling privilege and reduce the freight rates 25 per cent, and then the railroads—it is a funny thing—the railroads will get 10 per cent more net than they are now getting out of their freight rates.

Mr. ANDRESEN. If cotton were now selling for 21 cents a pound, how much would you loan on that cotton?

Mr. AMOROUS. If I were a banker?

Mr. ANDRESEN. Yes.

Mr. AMOROUS. The rule is 75 per cent in a warehouse.

Mr. ANDRESEN. You stated an illustration here of when cotton was down to 5 cents a pound, and Mr. Candler loaned 6 cents a pound on it.

Mr. AMOROUS. Mr. Candler offered to loan 6 cents a pound on 1,000,000 pounds; yes, sir. That was an emergency.